



**UNIVERSIDADE ESTADUAL DE CAMPINAS**  
**INSTITUTO DE ECONOMIA**

**ZAMIWE CHIKANI**

**Youth Employment and the Urban Informal Economy in Zambia**

**Emprego dos jovens e a economia informal urbana na Zâmbia**

**Campinas**  
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**Prof. Dr. Hugo Miguel Oliveira Rodrigues Dias – orientador**

Dissertação de Mestrado apresentada ao Programa de Pós-Graduação em Desenvolvimento Econômico do Instituto de Economia da Universidade Estadual de Campinas para obtenção do título de Mestra em Desenvolvimento Econômico, na área de Economia Social e do Trabalho.

**ESTE EXEMPLAR CORRESPONDE À VERSÃO FINAL DA  
DISSERTAÇÃO DEFENDIDA PELA ALUNA ZAMIWE  
CHIKANI, ORIENTADA PELO PROF. DR. HUGO MIGUEL  
OLIVEIRA RODRIGUES DIAS.**

**Campinas**  
**2018**

Ficha catalográfica  
Universidade Estadual de Campinas  
Biblioteca do Instituto de Economia  
Mirian Clavico Alves - CRB 8/8708

Zamiwe, 1986-  
C435y Chikani– Youth employment and the urban informal economy in Zambia / Zamiwe  
Campinas, SP: [s.n.], 2018.

Orientador: Hugo Miguel Oliveira Rodrigues Dias.  
Dissertação (mestrado) – Universidade Estadual de Campinas, Instituto de  
Economia.

1. Jovens - Emprego. 2. Economia urbana. I. Dias, Hugo Miguel Oliveira  
Rodrigues, 1978-. II. Universidade Estadual de Campinas. Instituto de  
Economia. III. Título.

Informações para Biblioteca Digital

**Título em outro idioma:** Emprego dos jovens e a economia informal urbana na Zâmbia

**Palavras-chave em inglês:**

Youth Employment

Urban economics

**Área de concentração:** Economia Social e do Trabalho

**Titulação:** Mestre em Desenvolvimento Econômico

**Banca examinadora:**

Hugo Miguel Oliveira Rodrigues Dias [Orientador]

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Marcelo Sartório Loural

**Data de defesa:** 27-08-2018

**Programa de Pós-Graduação:** Desenvolvimento Econômico



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A Ata de Defesa, assinada pelos membros da Comissão Examinadora, consta no processo de vida acadêmica da aluna

## RESUMO

O problema do emprego dos jovens nas áreas urbanas é um dos desafios mais críticos que a Zâmbia enfrenta hoje. O rápido crescimento populacional face a um crescimento lento do setor formal está colocando uma pressão significativa no governo para criar empregos formais suficientes para a crescente população jovem. Esta transição demográfica tornou a economia informal urbana numa fonte importante de emprego e renda para a população jovem pobre, pouco qualificada e marginalizada na sociedade. Absorvendo quase 90% da população, o setor informal é o maior empregador na Zâmbia. É desnecessário dizer, no entanto, que os jovens dentro da economia informal urbana enfrentam uma variedade de desafios no acesso a oportunidades de trabalho decente, meios de subsistência decentes, bem como no aumento da produtividade de suas atividades econômicas. Os jovens são o grupo mais vulnerável no sector informal, na medida em que são mais suscetíveis a empregos e salários de baixa qualidade, emprego inseguro e explorador, bem como pobreza e exclusão social. Este documento dá uma visão geral do problema de emprego entre os jovens na Zâmbia e suas possíveis ramificações. Em segundo lugar, o estudo destaca maneiras pelas quais o país pode criar empregos formais suficientes, bem como como pode promover a economia informal urbana com vista à criação de empregos entre a população jovem em idade ativa.

**Palavras-chave:** *Emprego Jovem, Economia Informal Urbana, Criação de Emprego*

## **ABSTRACT**

The Youth employment problem in urban areas is one of the most critical challenges Zambia is facing today. Rapid population growth against a slow growing formal sector is putting significant pressure the government to create enough formal jobs for the growing youth population. This demographic transition has resulted in the urban informal economy becoming an important source of employment and income for young people who are poor, low skilled and marginalized in society. Absorbing nearly 90% of the population, the informal sector is the biggest employer in Zambia. Needless to say however, youth within the urban informal economy face a variety of challenges in accessing decent job opportunities, decent livelihoods as well as enhancing the productivity of their economic activities. Young people are the most vulnerable group in the informal sector in that they are most susceptible to low quality jobs and wages, insecure and exploitative employment, as well as poverty and social exclusion. This paper first gives an overview of the employment problem among the youth in Zambia and its possible ramifications. Secondly, the study highlights ways in which the country can create enough formal sector jobs as well as how the urban informal economy can be promoted for Job creation amongst the youth working age population.

**Keywords:** *Youth Employment, Urban Informal Economy, Job Creation*

## **DEDICATION**

This Thesis is dedicated to God, my two amazing children Paul and Abigail, my parents Lydia Phiri and Luke Chikani as well as all my siblings without whose sacrifices and endless support, the successful completion of this work would not have been possible.

## **ACKNOWLEDGEMENTS**

My deepest gratitude goes to my supervisor, Professor Dr. Hugo Miguel Oliveira Rodrigues Dias for his support and supervision. Special thanks also go to my thesis defense Jury members and advisors, Professor Dr Marcelo Manzano and Professor Dr Marcelo Loural.

I want like to extend my gratitude to all my Lecturers from the Centro de Estudos Sindicais e de Economia do Trabalho (CESIT) and the Global Labour University (GLU) Master program at the University of Campinas, Sao Paulo, Brazil. Special mention goes to Professor Carlos Salas (Microeconomics); Professor Prof. Ana Rosa (Macroeconomics); Professors, Eugenia Troncoso Leone (Quantitative Methods); Roberto Borghi (Economic Development); Anselmo Santos (Social Structures, Inequality and Poverty) and Professor Magda Barros Biavaschi (Social Protection).

I would also like to thank the Executive Director of the Labour Institute of Zambia LIZ, Mr Clement Kasonde for his support in ensuring I pursue my studies in Brazil.

Lastly I would like to thank all my colleagues and fellow GLU students, past and present, friends as well as acquaintances that helped to enrich my learning experience in Brazil.



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## **LIST OF ABBREVIATIONS**

AU	African Union
CSO	Central Statistical Office
GRZ	Government of the Republic of Zambia
HIPC	Highly Indebted Poor Countries
ICLS	International Conference for Labour Statisticians
ILC	International Labour Conference
ILO	International Labour Organization/Office
LCMS	Living Conditions Monitoring Survey
LFS	Labour Force Survey
MDG	Millennium Development Goals
MFEZ	Multi Facility Economic Zone
MLSS	Ministry of Labour and Social Security
MOF	Ministry of Finance.
MSMES	Micro, Small and Medium Size Enterprises.
NELMP	National Employment and Labour Market Policy
NYP	National Youth Policy
PPP	Purchasing power parity
SADC	Southern African Development Community
SAPS	Structural Adjustment Programmes
SPIJC	Strategy Paper for Industrialisation and Job Creation
SNDP	7 <sup>th</sup> National Development Plan
SWTS	School to Work Transitions Survey
TEVET	Technical Education and Vocational Entrepreneurship Training
UNDP	United Nations Development Programme
UNCTAD	United Nations Conference on Trade and Development
UN-HABITAT	United Nations Human Settlements Programme
WIEGO	Women in Informal Employment: Globalizing and Organizing
WB	World Bank
ZIPAR	Zambia Institute of Policy Analysis and Research

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## CHAPTER ONE

### INTRODUCTION AND RESEARCH AGENDA

Gunter Schucher used the expression ‘Ticking Time Bomb’, in reference to the youth employment problems that China was going through and stated that, if not addressed, the problem could lead to many social, economic and political ramifications (Schucher, 2014). These sentiments have been echoed by many scholars world over, and most recently in Zambia by Alexander Chikwanda, the country’s former finance minister, who put it succinctly that, the problem of youth employment is a *ticking time bomb* that now appears to be ‘dangerously close to exploding’ (African Business Report, May 2018). And if the recent surge of criminal activities involving disgruntled unemployed youth in Zambia’s densely populated urban areas is anything to go by, this *bomb* has most certainly begun to explode.

With one of the youngest populations in Africa-an average age of 16 years old, Zambia faces a huge challenge of ensuring that the over 300,000 young people entering the labour market every year have access to decent and productive employment. The major employment problems young people in Zambia face are the lack of access to decent job opportunities in the formal sector, coupled with vulnerable, insecure and unproductive work in the informal sector. Youth in Zambia’s densely populated urban areas earn their livelihoods by performing a variety of casual work, street vending, pick-pocketing and other illegal activities while some have resorted to alcoholism and drug abuse.

The ability of a country to generate jobs for its people depends on its level of economic activity. Growth in labour intensive and productive sectors can allow for the absorption of young people leaving the school system into the labour market. However, with a stagnant formal sector growth, huge current account deficits, a developing economy like Zambia has found it difficult to effectively create enough formal sector jobs for the extremely large number of economically active people in need of decent work.

According to the Central Statistical Office (CSO), the unemployment rate in Zambia stood at 13.3 percent in 2014 and was more pronounced in the urban areas of the country and among the youth population. Government statistics further estimated that informality in stood at 89.3 percent in 2014 with the percentage of youth finding themselves in informal, insecure, low wage, unprotected

and unregulated, exploitative employment, even higher at 93.0% (Labour Force Survey, 2014). Therefore, Zambia faces a double challenge of;

- a. Insuring that the economy generates enough formal jobs for the youth labour force.
- b. Supporting informal sector economic activities for decent and productive livelihoods for young people.

### **1.1 Background of the Study**

There have been countless studies undertaken on youth employment world over. According to the (ILO, 2010), the number of jobless people in the world was expected to exceed 201 million by 2017. In Zambia, over 470,000 people were without any form of employment in 2014, (ZIPAR, 2015). Almost all recent studies available about Zambia, allude to the fact that the country was experiencing relatively impressive economy growth between 2005 and 2012. These studies also clearly point out that this growth did not result in significant increases in formal employment.

For example, there was only a 3.4% job growth in the whole country between 2007 and 2013 (ZIPAR, 2015). This formal job deficit has consequently led to the large informal economy. Even though recovery was predicted, the status quo in 2018 is that, Zambia's economy is deteriorating at worrying rates, indicating that the levels of informality and unemployment will continue to grow. What is of critical importance to note is that, in addition, the country's population continues to grow at fast rates with its youth population more prominent in highly congested urban areas. According to the Central Statistics Office survey, 42% of Zambians already live in towns or cities, a proportion expected to reach 45% by 2025. With City populations expanding at an average rate of nearly 4 percent per year, projections suggest that Zambia must create 1.2 million net new urban jobs by 2025 and 2.8 million by 2035 (Randolph, 2016).

The World Bank and the International Labour Organization ILO revealed that globally, not only has the informal sector grown over the last few decades, but that it also shows no signs of reducing anytime soon, (ILO 2012). It provides livelihoods for Jobless youth in many developing and developed countries world over. And despite its relative *ease of entry* and a wide range of micro-entrepreneurial income generating opportunities, the informal sector, still presents a variety of challenges for young people in their pursuits. They face many constraints within and outside the sector that hinder them from being more productive. One contributing negative aspect is the failure



by policy makers and mainstream society to recognize the magnitude and importance of the sector in developing economies. Regardless of the fact that the majority of the jobs suffer from a lack of productivity, poor working conditions, and no social protection, the role of the informal sector in reducing poverty cannot be ignored. The sector a primary source of income for most of the youth population in many low-income countries, and Zambia is no exception. Many scholars argue that if promoted, informal economic activities could grow, employ more young job seekers and ultimately formalize and contribute to the country's development.

In line with this argument, the United Nations' 2030 Agenda for Sustainable Development 2030 Goal Number 8, stresses the need to promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of informal Micro-, Small and Medium-Sized Enterprises (MSMEs), ([sustainabledevelopment.un.org](https://sustainabledevelopment.un.org)). Unless informal activities are assisted to become more productive, they will not be able to formalize and will remain marginal.

Furthermore, at national level, the creation of employment for the youth has become a high priority for the Zambian Government and this is reflected in the National Youth Policy (NYP), the National Employment and Labour Market Policy (NELMP), as well as the National Development Plans (SNDP). Particularly for the youth working in the informal economy, current policies emphasize entrepreneurship and self-employment through the formation and growth of MSMEs in order to spur job creation and enhance productivity. However young people still find it hard to find work and face challenges in their employment efforts. These economic activities still exhibit serious problems and face a policy framework not very conducive for their growth and prosperity. (Randolph 2016).

Zambia is also signatory to the International Labour Organization, (ILO) Decent Work Agenda which aims to promote decent work for all workers, women and men, irrespective of where they work. In urban areas, about 7 out of 10 people in the labour force hold informal sector jobs. (ZIPAR, 2015). With the rapid transition of the global workforce, moving toward the informal sector—1.7 billion currently to over 4.5 billion by 2020, (World Bank, 2011), the informal sector will become the new face and future of the urban center therefore embracing and exploiting the qualities of the sector such as its capacity in absorbing a huge portion of the working-age youth

(for example, illiterate, out of school, with no work experience or qualifications) into the labour market and creating jobs and livelihoods where there are none, is of great importance.

## **1.2 Problem Statement**

There is a general consensus that youth employment problems pose a great challenge for the country and that the weakness of the economy for formal job creation is no easy feat to overcome. With that stated, the question that remains is, how the government can ensure that youth populations overcome poverty and joblessness and how valid are assertions that promoting the urban informal sector through entrepreneurship and self-employment is a *feasible* way to enhanced job creation, poverty eradication and sustainable development in Zambia's current socio-economic predicament?

In order to understand the depth of the problem, it's imperative to understand what factors influence the growth of employment in a nation. Zambia's employment deficits can be expounded by looking at the demographic and economic variables of the country. Because poverty has driven so many young people to the streets in urban areas, it is also very important to understand the constraints that these youth people face in their efforts to find work, either in setting up and growing an informal enterprise or securing a decent well-paying job in the informal sector. Furthermore, evaluating government's policies aimed to enhance employment growth will help get a view of how effective or ineffective previous and current approaches to tackling employment challenges among the youth have been.

## **1.3 Research Objectives**

The broad objective of this study is to highlight the youth employment problem in Zambia and the role of the urban informal economy in job creation.

### **Specific Objectives**

1. To identify the nature and causes of the employment problem in Zambia, more specifically amongst the urban youth.
2. To identify the employment creation potential of the urban informal sector for the youth population as well as the constraints that limit the growth of productive jobs.

3. To highlight Zambia's major policy approach towards youth employment and evaluate how effective it has been in order to identify interventions that would be more effective for the creation of more and better jobs for young people.

#### **1.4 Research Questions**

1. What is the nature and the causes of the employment problem in Zambia?
2. What is the potential of the urban informal economy in generating employment for Zambia's growing youth population?
3. What has been Zambia's policy approach towards youth employment? To what extent has it been effective?
4. What strategies need to be employed in Zambia to help stimulate the growth of youth employment in informal sector as a whole?

#### **1.5 Justification of the Study.**

Currently there is a lot of discussion about how Zambia can create employment for its rapidly growing youth population and a number of key strategies and policies have been identified, including formalization and industrialization. This study is significant in the sense that it highlights the recent economic situation in the country and what it means for job creation. It also hopes to highlight possible implications of policies that have not prioritized the marginalized youth in the urban informal economy despite the fact that they are the overwhelming majority in need of work. The study will further contribute to the assertion that the problem of employment and poverty amongst young people is moving towards the urban informal service sector rather than being a rural problem as has been in the recent past. Evidence of the rapid movement of rural populations into urban areas, will justify calls by some sectors that the country needs an urgent shift in employment policy priorities. Because the majority of Zambia's population is young, this study hopes to place much needed focus on the supply of youth labour that has sought refuge in non-agricultural activities in the urban informal economy.

#### **1.6 Methodology**

This study is desk-based analysis of existing secondary sources of data related to the research problem. In order to get an in-depth understanding of the urban informal economy in the country, the study drew largely from secondary data from The Zambia Central Statistical Office. The

labour force surveys, national and international publications were also used extensively to inform the study about the characteristics of the employment situation in Zambia. In describing the nature of informal sector activities that the majority of young people are engaged in, major focus was placed on the most urbanized provinces of Zambia, Lusaka and the Copperbelt drawing from some research findings from Chigunta, (2013) about the dynamics of youth urban informal work in highly populated residential areas in Zambia.

Focusing this study on urban areas is not by pure coincidence. Most researchers on the topic have acknowledged that unemployment among the youth in Zambia and many other developing countries is largely an urban problem. Despite the fact that the unemployment affects all areas of the country, rural youth are mostly vulnerable to underemployment and unpaid activities surrounding family work. Secondly, the high rates of rural-urban migration in the country entail that the rural poor that are gradually becoming the face of informal urban settlements will continue in this trajectory for many years to come. With the country witnessing the gradual shift away from agriculture into the urban service sectors, urban areas (especially large cities like Lusaka) will continue to attract numerous migrants from both the rural areas and from smaller urban towns and cities in the hope of a better life. Because, the growth of the urban areas of Zambia goes hand in with the growth of the working age population, by combining data from internal rural urban migration and the trends in population growth rates over the years, it was helpful to estimate the growth of the urban population and to weigh the magnitude of the employment situation.

### **1.7 Scope of the Study**

This study will be limited to the youth of the main urban areas of Zambia. The major focus is on young men and women that lack advanced levels of educational achievements and qualifications, illiterate youth and rural migrants looking for work or performing informal economic activities in the major city centres of Zambia. Due to the fact that the youth cohort is diverse, this paper focuses on this group of informal operators not only because they are over represented in the informal economy but that they are also are the most vulnerable.

This study was limited by the unavailability of more recent data from the labour force survey of 2016 which is yet to be published. The research would have benefited from the findings, more specifically data that would have illustrated the rate of growth of the urban youth population in very recent years. Majority of the data used in this study is based on the 2012 and 2014 surveys.

Furthermore, because the majority of informal sector workers employed or unemployed, young people who roam the city centers, most often go undocumented, more comprehensive (but unavailable data), would have illustrated that the problem of unemployment and, low quality jobs in Zambia's urban areas is much bigger than what the official statistics reveal. The other limitation is that the levels of informality amongst young people is much higher than depicted in the official statistics on formal and informal employment. However, the data used gives us a general idea and we can easily make predictions of the current status quo based on trends in previous years.

### **1.8 Organization of the Study**

Chapter One will give an introduction and background to the research problem. It will provide the objectives and questions that will guide the study and briefly explain the significance of the study. Lastly the scope and major limitations will be highlighted.

Chapter Two provides literature related to the causes of the employment problem in Zambia and its possible implications. The chapter will further give an overview of socio-economic situation as well as the demographics characteristics of the population that have shaped labour market outcomes in the country.

Chapter Three aims to explain youth employment in the urban informal economy. This section will provide the concepts and theories that explain the role of informal work and finally the constraints faced by youth in the urban informal sector.

Chapter Four will highlight the employment creation policy approach in Zambia and evaluate the strategies that have been adopted and implemented over the years, highlighting the most significant outcomes thus far.

And lastly, Chapter five will give a brief summary, recommendations and conclusion.

## CHAPTER TWO

### SOCIO-ECONOMIC, DEMOGRAPHIC AND EMPLOYMENT TRENDS

#### 2.0 Introduction

Factors that have contributed to the employment problem in Zambia include rapid population growth that has led to a very large supply of youth labour and the lack of necessary skills and training to prepare young people for the labour market. Secondly unfavorable macroeconomic variables and the nature of a capitalistic and free market economy have resulted in a stagnant formal sector growth leaving so many young people without access to jobs and a persistence and highly precarious informal sector. This chapter will begin by giving an overview of Zambia's socio-economic background and demographic trends and how they have affected employment in the country. It will further review literature related to the causes of the employment problems and implications on the youth of urban Zambia.

#### 2.1 Socio-Economic Background

Politically, after independence from Britain in 1964, Zambia has experienced four major socio-economic transformations <sup>1</sup> Each phase has been characterized by a distinctive political ideology and preferred approach to managing the economy and other national affairs.

At independence, Zambia inherited a dualistic economy that was extremely dependent on copper extraction and export for foreign exchange earnings and revenue. The new government's policy was revolved around the mining industry while the other sectors of the economy were largely neglected. Needless to say, the country was one of the richest in Sub-Saharan Africa thanks to the high copper prices at the time. Under a socialist ideology, the government embarked on a program of *Nationalization* of privately owned companies and mass recruitment of indigenous Zambians into the public sector. Enacted through the Mulungushi reforms of 1968, this policy was called the

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<sup>1</sup> The First Republic (1964-1972); the Second Republic (1972-1990) and the Third Republic (1990-present) and the current regime 2011-date (Mtetesha 2013).

*Zambianisation policy*<sup>2</sup>. The Mulungushi Reforms implied emphasis on self-reliance and the government nationalized the mining companies as well as other private institutions. (Saasa, 1987).

Between 1968 and 1971, the Zambian government started to implement an industrial strategy based on *Import Substitution*<sup>3</sup> that saw a relative growth of the manufacturing in sectors such as food and textiles, (Mtetesha, 2013). At the same time, it embarked on massive investments infrastructure development and other ambitious state development projects. Most of which were financed by borrowing. Copper revenue paid for the debts.

#### Shocks and Decline, 1975–1980

The beginning of the 1970s saw a sudden shift in Zambia's growth trajectory. The country's terms of trade fell sharply following the first oil crisis. The international recession that followed, reduced the demand for copper and by 1975 its price fell by 40 percent, reducing the country's foreign exchange reserves and government revenue fell drastically. The effects of the world recession were transmitted to all sectors of the economy. The shocks had a great impact on the balance of payments making it negative for the first time in 1975 after income from copper exports reduced by half. (Mtetesha, 2013).

Regardless of the situation, the government continued to finance its projects through acquiring more loans internally and externally. It continued to finance industries to avoid job losses and continued with free food distribution programs, heavy agricultural and import subsidies through accumulation of huge sums of external debt with the assumption that the price of copper will rise again. Between 1975 and 1980 external debt increased three times and service costs were met by mineral export earnings. (Mtetesa, 2013).

The 1979 oil shocks and eventual economic crisis had devastating consequences on the economies of developing countries worldwide. Using the hegemony of its currency in the international financial system, the United States government implemented a policy that increased international interest rates that rose up to 20% pushing the world market into a depression. After some countries declared their inability to pay their international debt the Bretton wood institutions; IMF and the

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<sup>2</sup> Zambianisation was a policy in which indigenous Zambians were to take over jobs, industries and administrative roles from foreign nationals in a bid to empower them regardless of their skill level.

<sup>3</sup> Import substitution Industrialisation is a trade and economic policy which encourages replacing foreign imports with domestic production.

World Bank, administered the Structural Adjustment Programs as conditionality's under which debtors would pay back their outstanding loans. These reforms favored liberalization and privatization of state owned companies among other things.

The Structural Adjustment Programs came with serious preconditions, where the government was expected to introduce interventions that aimed at stabilizing the economy. These included: abolishing price controls, devaluation of the local currency, eliminating government control on interest rates, terminating government expenditure on subsidies as well as subventions to parastatals, (Mtetsha, 2013). The massive switch to accommodate these institutional reforms brought in economic hardships. The removal of food subsidies led to massive increases in the prices of basic commodities. (Simson, 1985). The SAPs led to the liquidation and fall of industries and this resulted in massive job losses, cut of agricultural support programs and eventual collapse of the agricultural sector and its support industries such as the textile industries. The debt crisis meant that it was very difficult to increase domestic investment and create jobs. According to the African Development Bank, "Zambia paid more in debt service (interest and principal repayments) than the total amount of money needed to achieve major development and progress and debt still overshadows all policy making to this day. Agricultural subsidies which were removed made rural living impossible for most Zambians such that they moved into towns to find employment and opportunities resulting in very quick expansion of shanty and squatter compounds. The loss of livelihood for both the rural and urban populations resulted into greater poverty and the current poor living conditions in Zambia's urban areas.

#### Post- Structural Adjustments

After the year 2000, Zambia began to record significant improvements in its growth and economic development. The economic gains from 2006 to 2012 can be attributed to the debt cancellation that came about as a result of the completion of the Highly Indebted Poor Country (HIPC) initiative after meeting all the conditions set by the IMF and World Bank<sup>4</sup>. The government

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<sup>4</sup> The World Bank, the International Monetary Fund (IMF) and other multilateral, bilateral and commercial creditors began the Heavily Indebted Poor Country (HIPC) Initiative in 1996. The structured program was designed to ensure that the poorest countries in the world are not overwhelmed by unmanageable or unsustainable debt burdens. It reduces



embarked on poverty alleviating schemes, greater infrastructural development investments, and lifting of the wage freeze burden. Zambia's economy began to grow, prices of basic goods started dropping and there was a general improvement in the livelihood of ordinary Zambians. The government also embarked on massive investments in Agriculture in order to diversify the economy. (Mungule, (2004).

The cancellation of debt in 2005 also helped reduce the current account deficit. Both inflation and the exchange rate stabilized during the period 2001-2013 with a growth average of 13.5% and 5.2% p.a., respectively. Similarly, the average annual inflation rate declined significantly from 183.3% in 1993 to a single-digit inflation rate of 7.0% in 2013. All these developments led to a sustained economic growth rate that averaged 5.9% p.a. during the same period reaching a maximum of 10.3% in 2010 (World Bank, 2015). The reforms initiated since 1991 paid off during the period 2001-2013, when copper prices increased significantly by 162% in just four years (2003-2006). Copper production recovered sharply from as low as 200 000 tonnes per annum in the late 1990s to over 800 000 tonnes in 2012 (Zambia Development Agency, 2013). Both gross domestic investment and net foreign direct investment increased considerably, averaging 22.4% p.a. of real GDP and 7% p.a. of real GDP respectively during the period 2001-2013. The Zambian economy also became less dependent on donor aid – where net official development assistance and official aid received declined sharply from an all-time high of 61.4% of real GDP in 1995 to 9.5% of real GDP in 2012 (World Bank, 2015). The accumulation of physical capital started to improve as a result of the liberalization of the market and saw gross national investment increase. While Zambia's economy experienced this growth, this did not result in significant employment generation, particularly for the growing youth population. Numerous policies have been initiated but they have failed to satisfy the growing labour market.

### Recent Trends

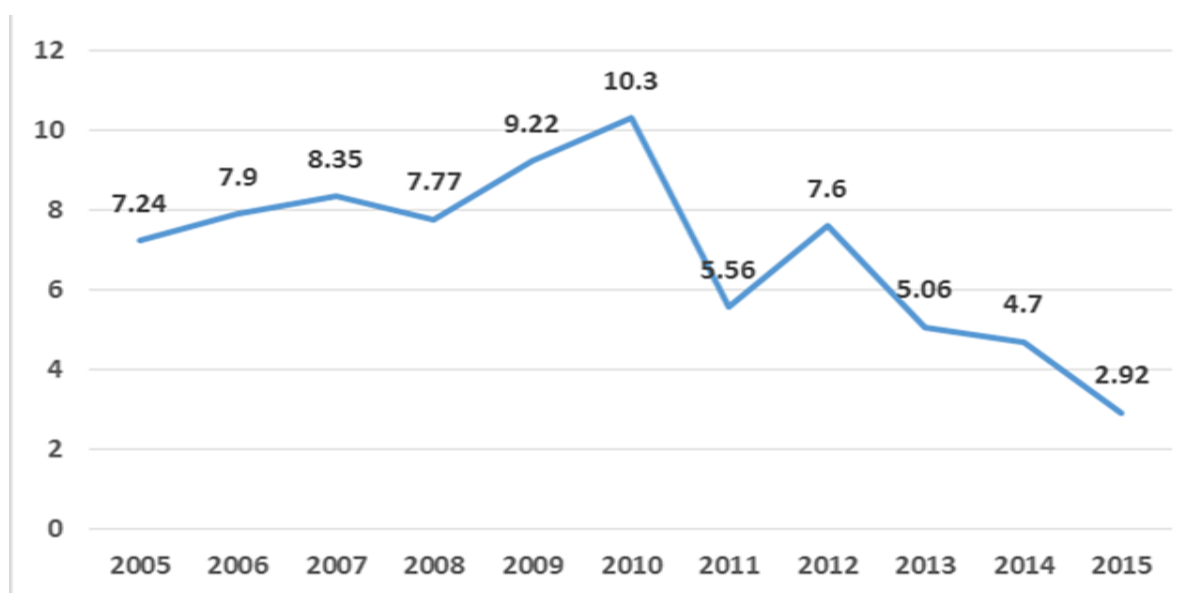
Zambia has from 2012 witnessed a decline in its economic performance. The country's economy was negatively affected by both internal and external macroeconomic pressures particularly the weakening in global trade and a slump in commodity prices (MoF,2015 Economic Report).

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the debt of countries meeting strict criteria. Zambia was one of 37 heavily indebted poor countries from the developing world that became eligible for debt relief and special monetary assistance

Plummeting copper prices, energy deficits, an unstable and depreciating Kwacha, increase in inflation and a decline in global demand for copper, which accounts for approximately 70% of the country's external revenue earnings, dampened the prospects for normal economic growth.

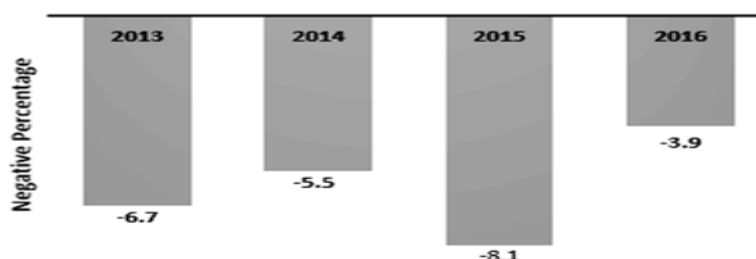
**Figure 1: Trends in GDP, Zambia, 2005-2015**



*Source: Trading Economics*

Figure 1 shows the GDP growth rate for Zambia, 2005- 2015. Despite recording a high GDP growth rate of 10.3 percent in 2010, the country experienced a drastic economic decline as this dropped to 5.56 % in 2011. And despite recording a slight increase the following year (7.6% in 2012), the economy experienced a downward spiral to as low as 2.92% in 2015 (CSO, 2016).

The decline in the country's GDP over the recent years exposes the fact that Zambia has failed to achieve viable economic diversification and is still highly dependent on mineral exports for its economic development. The country's economy is still dominated by subsistence agriculture and has not undergone significant structural transformation (ZDA, 2016)

**Figure 2: Fiscal Deficit Zambia (2013-2016)**

Source: [www.zambiainvest.com](http://www.zambiainvest.com)

The country's fiscal deficit (figure 2), which affects government spending, recorded an average of 2.85% between 2009 and 2012 grew to 6.7% in 2013, 5.5% in 2014 and then rose to 8.1% in 2015. The government announced in 2016, that it would reduce the deficit by introducing austerity measures which included cutting on fiscal expenditure. All planned new developmental programs were held back. Despite recording an improvement of 3.9% in 2016, the economy still faces serious challenges in stirring national development that will enhance job growth

<b>Table 1: Main Economic Indicators 2016</b>	
GDP per capita:	1,178.39 USD (2016) World Bank
Gross domestic product:	19.55 billion USD (2016) World Bank
GDP growth rate:	3.3% annual change (2016) World Bank
GNI per capita	3,790 PPP dollars (2016) World Bank
Interest rate:	12.5%
Inflation rate :	6.6%

Source: World Bank 2016

Table 1 shows that the economy of Zambia slightly recovered with GDP rate going to 3.3% in 2016. The GNI was at 3,790 USD<sup>5</sup>. The interest rate was at 12. 5% while the inflation rate was at 6.6 %

<sup>5</sup> GNI per capita based on Purchasing Power Parity (PPP). PPP GNI is gross national income (GNI) converted to international dollars using purchasing power parity rates. An international dollar has the same purchasing power over

## 2.2 Geography and Demographic Characteristics

Zambia is a landlocked country located in Southern Africa. It has a land area of about 752,612 square kilometers and a population of over 16.59 million people, 40 percent of which reside in urban areas (CSO, 2016). The country consists of a rural agricultural sector and a modern urban sector that geographically follows the old line of rail. Unfortunately, development has been extremely uneven, mainly focused along the route stemming from Zambia's economic base, the mining towns of Chingola, Kitwe and Ndola on the Copperbelt Province, to Lusaka and the tourist capital Livingstone, in the Southern part of the country.

**Figure3: Political Map of Zambia**



*Source: Google Images*

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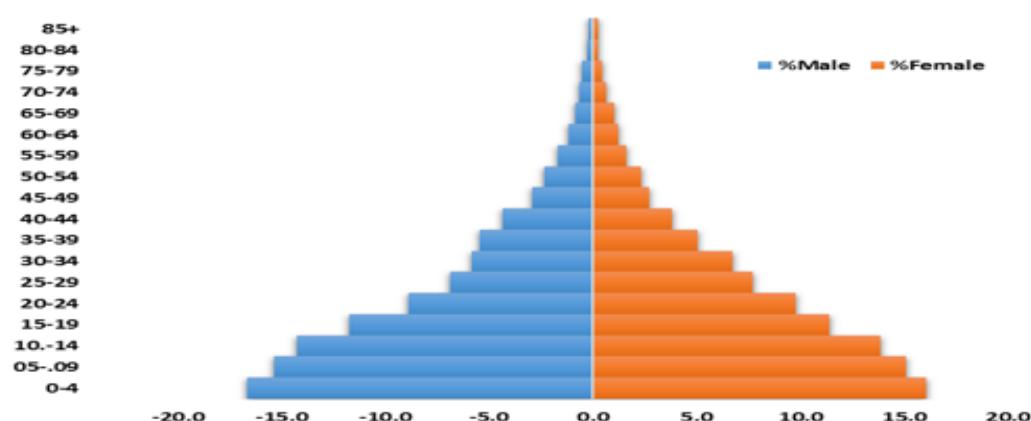
GNI as a U.S. dollar has in the United States. GNI is the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of output plus net receipts of primary income. (World Bank)

The country shares its borders with eight countries namely: The Democratic Republic of Congo (DRC), Tanzania; Malawi, Mozambique; Zimbabwe, Botswana, Namibia and Angola. It is divided into ten (10) provinces. Lusaka, the political and administrative capital, and the Copperbelt province are predominantly urban. The remaining Provinces; Central, Eastern, Northern, Luapula, North Western, Western, Muchinga, and Southern province-are largely rural with very little modern development.

Zambia has one of the fastest growing populations in sub-Saharan Africa averaging an annual growth rate of 2.9% and is expected to triple by 2030. The country's population is also one of the youngest in the world, with a median age of 16.6 years (compared to a global average of 29.2), and is projected to be one of the three youngest countries in the world. (African Economic Outlook, 2013). 80 percent of all Zambians are below the age of 35 years (UN, 2015). According to World Population Prospects, youth of working age (15-35) are expected to remain at close to 34 percent of the population for the next two decades. This would translate into the Zambian youth labour force almost doubling from the current estimate of 5.5 million in 2015 to 10.1 million by 2035. As a result, between 2015 and 2020, 922,000 individuals will be added to the working-age youth category. Similarly, between 2020 and 2025, 2025 and 2030, and 2030 and 2035, 1 million, 1.2 million, and 1.3 million individuals will be added to the working-age youth category, respectively, (Bhorat 2015).

According to table 2, the 2014 labour force survey indicated that the overall population of Zambia in 2014 was 14,983,315 million people with a, total male population of 7,351,247 and the female population to be slightly higher at be 7,632,068.



**Figure 4: Population Pyramid**

*Source: Based on Labour Force Survey 2014*

The population pyramid of Zambia (Figure 4) illustrates the age and sex structure of the country's population. The country has a bottom-heavy demographic structure, characterized by a large youth bulge. Almost 75 per cent of Zambia's population is below the age of 35 (CSO, 2014). The population is distributed along the horizontal axis, with males shown on the left and females on the right. The male and female populations are broken down into 4-year age groups represented as horizontal bars along the vertical axis, with the youngest age groups at the bottom and the oldest at the top. The structure of Zambia's population has evolved over time based on fertility, mortality as well as international migration trends.

**Table 3: Population Broad Age Groups 2014**

Age group	Male	Female	Total	Percentage
0-15	3,399,503	3,434,015	6,833,518	45.61%
15-34	2,453,188	2,715,400	5,168,588	34.50%
34-64	1,316,708	1,280,596	2,597,304	17.33%
65+	181,847	202,058	383,905	2.56%
<i>Source: Own calculations Based on Age Distribution of Total Population</i>				

Table 3. Shows the distribution of Zambia's population by Broad Age Groups in 2014. The labour survey revealed that 7,765,894 people in Zambia fell in the category of working age population (15-64 years old). The number represented 51.8 percent of Zambia whole population. The survey also revealed that 34.5 percent of the overall country's population male and female were young

people between the ages of 15 and 34 years old and 80 percent were all under 35 years. And furthermore, from the working age population alone (15-64 years old), the survey showed that of the total, 66.5 percent were youth, (Own calculations based on LFS, 2014). The rise in urban population in Zambia can be attributed to an increase in rural- urban migration, an expansion of urban boundaries and natural increase of the urban population itself due to high fertility rates in the country.

### Growth of the Urban Population and its Effects on Employment

The government of Zambia defines an *Urban* area as that with a population of 5000 people and above, having access to piped water and electricity and having a health care centre and school in close proximity (Census of Population and Housing 2010). Cities in Zambia just like in most parts of the developing world, are characterized as two cities within one city – with one part of the urban population enjoying all the benefits of urban living, and the other part characterized by slums and informal settlements within which the poor live (Crush & Frayne, 2010). The country has two heavily urbanized provinces – Lusaka and the Copperbelt. Lusaka has close to 3 million people, majority the youth, who depend on the city for their livelihood and employment. The major mining towns of the Copperbelt have populations of not less than 500,000 people.

After independence in 1964, Zambia became one of the most urbanized countries in Africa. As population and settlements around the mining areas of the Copperbelt and the administrative capital Lusaka grew, the percentage of people living in cities climbed to almost 40% by the 1980s. However, after the economic crisis of the 70s, the eventual SAPS that resulted in company liquidations and large-scale retrenchments of public sector workers led to *De-Urbanization* in Zambia through the 1990s. Many people moved to rural areas to engage in subsistence farming activities after the loss of jobs in urban areas. The increase in urban mortality rates as a result of the AIDS epidemic also resulted in the decrease of urban populations in the period. Table 2 shows that the annual population growth rate in the main city Lusaka decreased from 37% in 1990 to 35% in the year 2000. Ndola also recorded a significant decline from 2.8% in 1990 to 1.3 % in 2000. (Census of Population and Housing, 2010).

The turn of the century however, gave rise to a new phase of urbanization, most especially amongst young people in search for work in the busy cities of the country. Table 4 shows that between 2000 and 2010, the capital Lusaka recorded a high growth rate of 4.9 percent. Likewise, the large cities



of the Copperbelt, Kitwe and Ndola also recorded higher growth rates in the period, 3.3 percent and 1.9 percent respectively. Even though other towns like Mansa, Kafue, Mazabuka, and Chipata recorded significant growth rates in the period, the average populations were relatively small compared to the main cities of Lusaka and the Copperbelt. These statistics indicate the rapid movement of people from the rural areas to urban areas within the provinces and the country as a whole. The growth of the urban population can be attributed to improvements in the economy that resulted in growth of the modern urban sector and a combination of structural changes in the agricultural sector that affected the livelihoods of the rural population. Rural incomes had become inadequate to sustain most dwellers hence the growth of the demand for urban jobs throughout the country. Worthy to note as well, is the decrease in mortality rates among men, women and children after the introduction of drugs to treat HIV/ AIDS in the late 1990s. This meant that people were able to live longer lives and the significant reduction in infant mortality meant there would be a larger youth population in the years to come. The challenge to Zambia's urban job creation plans is ensuring pathways for young people to enter the labour market (Randolph 2016).

**Table 4: Population and Growth Rates of Major Urban Centres in Zambia 1990- 2010**

Name	Population in '000			Average Annual Growth Rate (percent)		
	1990	2000	2010	1990	2000	2010
Lusaka	769.4	1084.7	1,747.2	3.7	3.5	4.9
Kitwe	288.6	363.7	501.4	0.2	2.3	3.3
Ndola	329.2	374.8	451.2	2.8	1.3	1.9
Mufulira	123.9	122.3	151.3	-1.1	-0.1	-0.1
Luanshya	118.1	115.6	133.4	0.4	-0.2	1.4
Chingola	142.4	147.4	185.2	0.9	0.4	2.3
Kabwe	154.3	176.8	202.4	1.9	1.4	1.4
Livingstone	76.9	97.5	134.3	2.3	2.4	3.3
Kalulushi	31.5	52.8	51.9	-5.1	5.3	-0.2
Chililabombwe	48.1	54.5	77.8	-1.6	1.3	3.6
Kasama	47.7	74.2	101.8	2.8	4.5	3.2
Mansa	37.9	41.1	78.2	2.9	0.8	6.6
Kafue	43.8	45.9	72.2	11.6	0.5	4.6
Mongu	29.3	44.3	49.8	0.2	4.2	1.2
Choma	30.1	40.4	53.9	-0.7	3	2.9
Mazabuka	32	47.1	72.2	7	3.9	4.4
Chipata	52.2	73.1	116.6	4.5	3.1	4.8

*Source; 1990, 2000 And 2010 Census of Housing and Population*

The vast majority of Zambia's population is settled along the line of rail connecting major cities as the map in figure 3 will illustrate. The high levels of poverty and low incomes in rural areas

forced many to trek to urban centres in search of a better standard of living. Lusaka and the Copperbelt provinces are seen by many rural Zambians as having better employment and income opportunities than rural Zambia. This move of the rural poor to urban centres has also resulted in labour's neglect and move away from agriculture into the urban service sector. The youth in particular, make up the majority of migrants to big cities in search of work. According to World Bank reports, today the world's population is predominantly urban, with cities of the developing world estimated to absorb 95 per cent of urban growth in the next two decades, thereby becoming home to almost four billion people or 80 per cent of the world's population (Crush & Frayne, 2010). The increasing urban city population poses a challenge to developing nations like Zambia, as it is already facing development challenges such as poverty and lack of decent housing. According to the UN-Habitat report, one-third of the world's total urban population (rising to over 75% in the least developed countries) live in slums or informal settlements (UN-Habitat, 2012) To a large extent rural areas in Zambia are extremely under-populated.

Figure 5 shows the old rail line along which major urban centers in Zambia are located. The rest of the country is largely rural with few semi-urban settings within each provincial district. The city of Lusaka is by far the largest urban center, with a population of almost 3 million (CSO, 2016), the majority of whom live in poor, unplanned settlements. (Chigunta and others 2013). The map clearly illustrates the patterns of the population settled within the regions of the country. The largest secondary cities, Kitwe and Ndola, have far fewer people per square kilometer. The density is mainly concentrated in informal settlements – which take up takes up around 20 percent of the capital city's land and accommodates over 70 percent of its residents. (Urbanization report, 2010). This uneven distribution of population density means that the overly populated areas of the city face inadequate employment opportunities available and a highly competitive labour market. The urbanization report indicated that most of Lusaka's workers in the year 2000 were employed in the informal economy – home-based workers and/or working inside informal settlements – a reality that persists today. Aside from the mining towns, Kafue and Kabwe's population recorded decreased population growth as a result of the closures of the textile industries that drove the town's economy and provided livelihoods for the local population.

Figure 5: Zambia's Major Cities 2010<sup>6</sup>

<b>Level 1</b>	<b>1,500,000+ People</b>	<b>Lusaka</b>
<b>Level 2</b>	<b>500,000+ People</b>	<b>Kitwe, Ndola</b>
<b>Level 3</b>	<b>200,000+ People</b>	<b>Kabwe, Chingola, Livingstone</b>
<b>Level 4</b>	<b>150,000- People</b>	<b>Choma, Mongu, Mansa</b>

Source: United Nations Online Project Zambia.

<sup>6</sup> The legend shows that hierarchy of the cities in terms of population density. The map shows Zambia's major towns and the railway route denoted by (---). The rail line served as a means of transportation of mineral wealth and other resources for trade and export within the country and across the international borders. It is along this route that most of Zambia's early development and major urban centers are concentrated.

## 2.3 Poverty and Employment

The Living Conditions and Monitoring Survey defines *Poverty* as a state in which there is a lack of essential facilities resulting from lack of income. It is the lack of basic or fundamental needs such as food, clothing, shelter, health care and education (LCMS, 2015). Poverty can also be defined as the lack of/ access to opportunities. In Africa, a very high proportion of young persons is poor: on average 72% of the youth population in Africa has to live on less than \$2 per day.

In Zambia 83% of the population live below the poverty line. Poverty has to large extent contributed to the growth of informality in that the poor have no choice but to engage in precarious economic activities in order to survive. Youth from poor families generally find it much harder to find a job due to lack of social capital and are also less likely to attain a good quality education. A good number of them are forced to drop out of the school system earlier due to inability to pay school fees. The table shows that the total poverty rate in Zambia in 2015 was 54%. 23.4% lived in urban areas while 76% rural dwellers were poor.

**Table 5: Poverty Rates by Sector, Zambia, 2010 And 2015**

	<b>2010</b>	<b>2015</b>
<b>Total Zambia</b>	<b>60.5%</b>	<b>54.4%</b>
<b>Rural poor</b>	77.7%	76.6%
<b>Non-poor</b>	22.3%	23.4%
<b>Urban poor</b>	27.5%	23.4%
<b>Non poor</b>	72.5%	76.6%

*Source: Living Conditions Monitoring Survey, 2015*

The Survey (LCMS) shows that poverty in Zambia is serious and widespread. Notably, the statistics indicate that it is largely a rural phenomenon. According to table 5, in 2010 and 2015, rural poverty stood at 77.7% and 76.6% respectively. Urban poverty was significantly lower at 27.5% and 23.4% in the same years. Zambia, therefore, faces the challenge of ensuring that growth is equitably shared amongst all the people, especially the youth in rural areas who are more likely to migrate to already congested urban centres.

**Table 6: Poverty by Employment, Zambia 2015 (%)**

<b>Job Type</b>	<b>Total Zambia</b>	<b>Rural</b>	<b>Urban</b>
<b>Wage Employees</b>	9.5	26.3	4.8
<b>Self employed</b>	21.0	49.8	11.9
<b>Agricultural activities</b>	63.9	65.9	36.8
<b>Unpaid pieceworker</b>	39.6	55.0	30.7
<b>Unemployed</b>	35.0	67.7	24.9

*Source: Living Conditions Monitoring Survey, 2015*

Table 6 indicates that other than the unemployed, 65.9 % of people working in agricultural activities (farming, fishing and forestry) in Zambia are poor people. This is a clear indication of the low productivity and wages in these occupations. Rural poverty is the major cause of the rapid migration of young people to the urban areas of Zambia.

#### Human Development Trends

The employment problem in Zambia is closely associated with poverty and has a direct effect on the living standards of the general population and young people in particular. The Human Development Index (HDI), an average used to measure of basic human development achievements in a country revealed that Zambia's index currently stood at 0.579 in 2015. (Table 7) placing it in a *Medium Human Development* category and ranked 139 out of 188 countries in the world. Zambia's HDI has been characterized by slippages. This can be attributed to the stagnating per capita incomes which have kept poverty levels very high.

**Table 7: HDI Trends Based On Consistent Time Series Data Zambia**

<b>Year</b>	<b>Expected years of Schooling</b>	<b>Mean years of Schooling</b>	<b>GNI per capita 2011 PPP</b>	<b>HDI Value</b>
2010	12.0	6.6	3,020	0.543
2011	12.3	6.7	3,178	0.554
2012	12.5	6.7	3,412	0.565
2013	12.5	6.8	3,426	0.570
2014	12.5	6.9	3,460	0.576
2015	12.5	6.9	3,464	0.579

Source: UN, 2016

<b>Table 8: Selected Demographic Indicators ,Zambia 2017</b>	
Total Fertility Rate Comparison to the World	5.63 Children/ Woman Est 2017 8th
Median Age	16.6 years old
Total Dependency Ratio	91.9
Youth Dependency Ratio	87.1%
Elderly Dependency Ratio	4.8%
Potential Support Ratio	20.8
Population Growth Rate	2.93% Est 2017
Birth Rate	41.5 Births/1000 Population Est 2017
Life Expectancy At Birth	52.7 Years
Death Rate	12.5 /1000 Population
Contraceptive Prevalence Death Rate	49 % 2013
Urban Population	41.8% of Total Population
Rate of Urbanization	4.35 % Annual Rate of Change
<i>Source: World Factbook 2017</i>	

Statistics in table 8 reveal that Zambia has one of the highest of fertility rates in the world, ranking number 8. The average woman gives birth to 5.63 children according to 2017 estimates. The total dependency ratio stood at 91.9% at while the youth dependency ratio was at 87.1%.

### Poverty and Inequality

Widening gaps in productivity and in earnings have contributed to the rising inequality in Zambia. Earnings gaps in Zambia have widened, between formal and informal workers, between rural and urban workers, between regions in the country, and between unskilled and skilled workers. (World Bank, 2017).

## 2.4 The Youth Employment Problem in Zambia: A Review of Literature Related to The Causes and Effects

### (a) Causes

#### Demographic Factors

The demographic characteristics of any population play a vital role in determining what kind of employment outcomes youth will have in that country. When population grows rapidly, like has been in Zambia's case, the composition of its age structures also change, and an increase gradually in the labour force will occur putting a strain on the available job opportunities, available land, hence compelling people to migrate elsewhere most probably to urban areas to look for alternative means of livelihood. In the case of Zambia, recent migrants are most certainly the youth. And because the economy does not grow at a comparable rate, unemployment levels have increased in urban areas. The low Employment to Population Ratio means that there are more young people competing for very few available jobs in the market economy<sup>7</sup>. According to the (ILO, 2000), high population growth places a severe burden on African economies to produce adequate income earning opportunities for its very youthful population.

#### Urban Migration of the Rural Poor

The United Nations predicted that by 2020 half of Africa's population would have moved to urban areas (UN, 2009), however, the urban economy cannot absorb the increased migrant workforce. Many scholars explain the movement of young people from rural to urban areas in terms of ``push and pull ``factors. Push factors include, firstly the mechanization of agriculture and large scale farming has reduced the demand for rural wage labour, forcing many young people to move to the urban areas in search of work. (Chigunta 2013). Pull factors come as a result of the uneven distribution of economic development in Zambia. Social investments including educational and medical facilities, roads, water supplies and electricity are disproportionately made in urban areas. Many young people move to cities to access better schooling, health care as well as a better

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<sup>7</sup> As an indicator, the employment-to population ratio provides information on the ability of an economy to create jobs; although a high overall ratio is typically considered —good, the indicator alone does not provide information on labour market problems such as low earnings, underemployment, poor working conditions, or the existence of a large informal sector.

standard of living. (World Bank). In Addition, hopes of earning better wages have resulted in many young people to trekking to urban areas with the expectation of finding a job in the formal sector but end up in survivalist's activities in the informal sector (Harris and Todaro, 1970) or hold an informal job while looking for an alternative employment. With the shrinking of the formal sector in Zambia, many of these new urban dwellers are never be able to move to the formal sector. Furthermore, as a form of family investment, some rural families send their young adults to the city with the expectation that the migrant will send remittances but life in the city is difficult for young people without adequate skills, finances, and social networks. Rural migrants are confronted with problems of unemployment and lack of shelter, thus forcing them to live in squatter camps/ Shanty compounds in the undeveloped parts of the cities. In these camps, they resort petty trade and a range of small-scale enterprises and service-based activities that do not offer sufficient incomes. Despite of the hardships most of these individual never return to their villages, preferring to stay in the urban setup for obvious reasons. Young people on the streets face challenges in accessing employment because they are generally alienated from mainstream society (Chigunta, 2006). Mkandawire, (1996) asserts that there is a very strong sense of economic and social marginalization among urban African youth.<sup>8</sup> These young people have turned out as agents of their own socialization in the street where they spend most of their time.

### Human Capital Theory

In addition, studies on urban migration found that though young people trek to urban areas in search of work they are in many cases unable to find decent jobs due to the lack of skills. Human capital theorists argue that unemployment affects those that are poorly educated and unskilled and that by investing in skills and education, one will find it easier to get a job in the future. Other scholars argue that it's not so much so that a person should be educated in order to secure a job in the future but that it's the type of that education that matters most. Hansen 2003 also cited education quality as a factor that affects labour market integration of young people. Murray and others 2004, further retaliates that the education system in most sub- Saharan countries including Zambia suffers from low capacity, poor school quality and gaps in participation. The curriculum

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<sup>8</sup> The situation of young people is not helped by the absence of strong supportive institutions. Existing studies suggest that little or nothing is being done to replace disintegrating social support institutions, including the family, school, kinship structures, and public institutions with new forms of effective socialization, social welfare and social control in many African countries (Chigunta, 2006).



that often lacks practical training is not structured in alignment to the needs of a productive labour market. Furthermore, other scholars argue that the cause of employment problems in rural areas that result in low productivity and eventual city migration is that the education system does not have a curriculum designed specifically for development of rural areas or prepare youth for exploiting rural potential and enhancing productivity in their own settings. In Zambia being a rural dweller is automatically associated with being poor therefore, almost every young person that completes secondary school in Zambia's villages or city outskirts aims to shift to the city centres.

### Economic Theory

Economic theorists argue that growth in employment in any country is dependent on sustained labour demand. Most literature identifies the fragility of economies as one, if not the most important causes of employment problems in developing economies like Zambia. The argument is that developing economies are unable to generate sustained job creation due to over dependency of a single export commodity (that is vulnerable to external shocks) for its national income and its relatively underdeveloped agricultural sector. According to (Bloom and Freeman, 1986) Commodity dependence remains high in many developing countries and this enhances the vulnerability of these countries to unfavorable market or climatic conditions. They argue that when price of its major export declines on the international market, the whole economy suffers, the exchange rate and commodity prices go up and the government and private businesses are forced to cut the costs of production by laying-off workers or not hiring at all. In its efforts to diversify the economy from an unhealthy dependency on copper, the Zambian government has over the years encouraged large-scale capital investments in agriculture and other sectors like manufacturing. However, the majority of the investments have been in capital and technology intensive sectors and biased towards labour-saving techniques and not in labour intensive productive sectors. This in turn has resulted in what is termed as 'Jobless growth'. Jobless growth is a situation where growth in a country's GDP does not create an adequate number of job opportunities for the people. Jobless Growth in Zambia has created employment for only a small portion of personnel leaving the majority with very few formal jobs to compete for. In addition, structural changes and the shift away for industry to the services sector in Zambia have meant that there are less and less productive job opportunities.

Secondly, economic theorists also look at the hiring behavior of owners of the means of production in a capitalist and liberal economy. Liberalization in Zambia led to foreign private investment, neo-liberal order and an open market economy. This entailed diminished state involvement in the economy. Since 1991, the private sector has been the main driver of the economy. Zambia's private sector is divided into large enterprises and micro, small and medium enterprises (MSMEs). The large enterprises generate most of the economic growth, exports and tax revenues. However, they employ fewer workers overall than the small enterprises, (Chigunta 2013). Where maximization of profits is the main goal, labour has suffered in the sense that firms are constantly trying to find more ways to reduce on the costs of production, labour included. The most common ways they do this is by hiring a few highly skilled individuals formally and either outsourcing, hiring on part-time or casual basis low skilled individuals. The youth who technically have lesser work experience and qualifications due to their age, find themselves disadvantaged.

#### Duality of the Labour Market

The existent of a large informal sector can be explained by the Dual labour Market theory. The structure of the labour market plays an important role in employment outcomes of the population. Dual economies, where the informal sector has low productivity and low wages and is predominant as compared to the formal sector usually experience serious employment challenges, (World Bank, 2010). The segmentation of the labour market has led to those in the informal sector to be alienated from mainstream society and not rip the benefits of economic growth and development policies. Proponents of the dual labour market theory segment the formal and informal sector into primary and secondary sectors respectively and argue that labour mobility is greater within a sector than between sectors. Individuals in the primary sector have a high degree of market power, have high paying and stable jobs while the lack of market power and inadequate capital formation of individuals in the secondary or informal sector limits their ability to enhance their productivity and move to the primary sector.

### **(b) Effects of the Youth Employment Problem in Zambia**

Evidence from a study in Nigeria suggested that the rise in youth unemployment developing countries can have serious social, economic and political ramifications (Galadima, 2014). Unemployment has effects both on the individual and on the society/economy as a whole. Social effects of unemployment include personal hardships, depression, decay of acquired but unused skills, involvement in crime as well as physical and mental health issues. Unemployment increases governments' expenditure or transfer payments where welfare programmes are implemented and promotes poverty and inequality. Long spells of unemployment and discouragement early on in a person's career can damage long-term prospects as professionals, erode social skills and valuable on-the-job experience is not built up. (Moonga 2012).

Secondly, a large cohort of unemployed young people is a catalyst for social and political unrest in any society. Jobless youth are more vulnerable to exploitation by politicians during political campaigns and are used in violent activities that cause political instability in countries. Secondly, Unemployed and disgruntled youth many a times resort to criminal activities on the streets as a means of survival.

#### *The Case of Youth Criminal Activities on the Copperbelt Province.*

Recently Zambia has witnessed a huge rise in criminality among the youth on the Copperbelt province, more specifically the town of Kitwe, the second largest city after the capital Lusaka. The town has seen the sudden rise of gangs of young people from ages ranging from 15 to 30. These youths are either frustrated school leavers or have dropped out of school due to poverty. These recent occurrences put the former minister of finance's sentiments into perspective. These out of school unemployed youth have committed various crimes across the city; from pickpocketing, armed robbery, rape and assault. They have also resorted to drug abuse and trafficking. The current level of criminality in urban areas of Zambia is a direct result of the growing unemployment levels among the youth and if the government does not address this vice, there is no predicting the magnitude of the social, economic and political consequences on the country as a whole.

In addition, recent literature has placed a lot of focus on the health effects of employment problems among the youth. This is one very important issue that requires further research in Zambia. Most research on this extremely important topic points to a deterioration of both the in physical and

mental health of young people facing employment problems. Youth that work in the informal sector face extremely challenging and hazardous working conditions. For example, those that work in quarries, factories without protective clothing, face long term effects on their health. 'piece work' or casual laborer are often given unreasonable workloads that could cause injury and long term health complications that might destroy their ability to work again. Mental health issues come as a result of depression, and drug abuse. These health effects of the employment problem further and to a large extent affect the prospects of that young person ever finding a job or being a productive member of society.

### **Chapter Conclusion**

This chapter looked at the socio-economic as well as the demographic situation of Zambia and how it affects employment outcomes in the country. The analysis presented in this chapter indicated that the Zambia's population is young, and set to remain so for some time. Looking at the demographic trends, poverty and human development, the employment problem will continue to pose a great challenge for the development of the country as the current population growth rate adds more pressure on the growing labour force. The stagnant growth of the economy in its productive sectors of the economy entails a diminished capacity for the government to create more jobs for the growing population. The chapter achieved the main objective of highlighting the causes and possible implications of employment problems among young people in the country. Identifying the causes of the youth employment challenges is a prerequisite to formulating evidence-based and integrated policies and programmatic interventions. With detailed information on the blockages that are preventing sufficient job creation from absorbing the cohorts of young labour market entrants, governments will be better prepared to design effective policy responses (Bhorat 2015).

## **CHAPTER 3**

### **THE URBAN INFORMAL ECONOMY AND YOUTH EMPLOYMENT IN ZAMBIA**

#### **3.0 Introduction**

There are several reasons that have been forwarded to try to explain why young people stay concentrated in the urban informal economy regardless of the often deplorable working conditions and insecurities. Firstly, it must be noted that they are not exactly 'spoilt for choice' when it comes to ways in which they can sustain their livelihoods. Many young people are on the streets because it is their only means of survival. Secondly, coupled with what some researchers argue as its relative ease of entry, the heterogeneous nature of the informal sector allows for limitless variations of income generating activities for many young people. The proximity of operations and businesses allows them to be creative and innovative in the way they go about their ventures. They are very quick to recognize opportunities for work or provide services with little or no restrictions. In his study of the dynamic nature of the informal sector, (Chigunta, 2006) illustrated how swift and creative youth in the urban cities of Zambia can be by giving an example of how they come up with spontaneous yet effective ventures for example randomly constructing makeshift bridges for people to cross or physically carrying pedestrians across flooded areas in the rainy season for a fee. The general consensus among most researchers is that the informal economy provides endless opportunities for employment creation. Needless to say, young people still face various barriers to income generation within the sector. Different operators encounter different challenges due to different levels of productivity, profitability and size of their economic activities and general work arrangement.

The main objective in this section is to highlight role of the informal economy in youth employment. It will showcase the main features of youth employment by looking at the labour market from the perspective of the youth. Furthermore, the paper will highlight the nature of informal work and the various challenges young people face in the labour market.

### 3.1 Concepts and Definitions

#### 3.1.1 The Concept of the Informal economy

The concept of the informal sector is attributed to British anthropologist Keith Hart who was the first to use the term in his study of urban labour markets in Ghana in the early 1970s. He made a distinction between the formal and informal sector income opportunities based on wage-earning/salaried jobs and self-employment respectively and went on to conclude that the emergence of the informal sector was as a result of surplus labour in urban areas. Hart further attributed the increase of informal urban workers to migration, population growth and the proliferation of a modern capital-intensive industry that was incapable of meeting the increasing demand for jobs. This in turn forced the unemployed urban workers to engage in income generating activities outside the salaried jobs as a means of survival. (Hart, 1973). According to a report by (WEIGO in 2016), the internationally accepted conceptual framework for the informal economy consists of three variables that are interrelated;

1. *The informal sector*-referring to employment and production that takes place in unincorporated, unregistered or small enterprises.
2. The ILO defines *Informal Economy* as all units, activities and workers so defined and the output from them. (ILO, 2013).
3. The ILO defines *Informal Employment* as all remunerative work that is not recognized, regulated, or protected by existing legal or regulatory frameworks and non-remunerative work undertaken in an income-producing enterprise. Unlike formal employment, informal jobs are not subject to national labour legislation, income taxation, social protection, or certain benefits (advance notice of dismissal, severance pay, paid annual or sick leave, maternity leave, retirement/pension, etc.), (ILO, 2013).

There is not one single definition of the informal economy, therefore many scholars have defined it according to different classifications of activity. The most contemporary definition is based on the types of economic activities or production units workers in the informal sector are engaged in. The International Labour Conference of statisticians (ILCS) in 1993 defined the informal economy as consisting of “units engaged in the production of goods and services with the primary objective of generating employment and incomes to the persons involved. These units typically operate a low level of organisation with little or no division between labour, and capital as factors of production and on mainly on a small scale. (Becker 2004) defined the informal economy as the

unregulated, non-formal portion of the market economy that produces goods and services for sale or other forms of remuneration. It refers to all economic activities that are not covered by formal arrangements. Other scholars define the informal sector by the type of employment categories found in it. It has been recognized as constituting of both self and wage employment that are usually not protected by a legal or regulatory framework. (The World Bank; ILO 2003, 2002). (Onyemaechi 2013) defines the informal sector by its characteristics. That is, low entry requirements in terms of capital and professional qualifications; small-scale operations; skills acquired outside formal education and labour intensive modes of production and adapted technology.

This paper adopts the broader definition of ‘informal economy’ that was adopted by the ICLS in 2002, that better captures the informal sector of not only unregistered and unrecognized enterprises, but also workers who are in precarious circumstances, whether in the formal or informal economy. This definition better illustrates informality in terms of both the production unit and the characteristics of the job or the worker. It is more inclusive in the sense, that majority of informal sector operators are self-employed youth. This definition also recognises the heterogeneous nature of the informal economy and its income and employment enhancing potential. In this paper, “informal economy” and “informal sector” is used interchangeably depending on the context.

### **3.1.2 Informal Economy Schools of Thought**

The informal sector was thought of as a temporary “phenomenon” in the 1950s. Early theorist Arthur Lewis developed a theoretical model of economic development based on the assumption that “there was an unlimited supply of labour in most developing countries and that this *pool of labour* will eventually be absorbed as the modern industrial sector grew”, (Becker 2004). This theory drew largely from the development of European economies in the 1930s where urbanization and growth of the informal or subsistence economy was accompanied by industrial growth and decline of the informal sector. However, after the recognition that in many economies, developed or developing, the informal economy was growing, the assumption that it’s labour force will eventually be absorbed into the modern formal economy after industrialization, began to attract debate about the place of the sector in developmental process. Several theories about the nature and role of the informal economy have emerged over the years; Dualist, Legalist or Neo-liberal

Approach and the Structurist Theory. The different theoretical approaches to the informal sector differ mainly in two areas, firstly their views on the motivation and causes of informality and secondly on the way they view the relationship between the formal and informal sectors.

The *Dualist* school of thought subscribes to the idea that the informal sector is composed of marginal activities – different from the formal economy and that its main purpose is to provide incomes for poor people and act as a safety net in times of a job crisis. According to this thinking, the informal economy represents a stage in a country's development, and is mostly due to the lack of modern working opportunities. (Katalin 2015). Furthermore, dualists believed that the informal sector acts as a labour supply reserve for the formal sector by absorbing or integrating the labour force excluded from the labour market, (Losby and others, 2002). However, the existence of an informal sector in the developed countries brought about debate in the validity of earlier notions. Many criticized the theory as being too one sided and biased towards the formal sector.

On the other hand, the *Legalists or Neo- Liberal* school of thought believed that the informal sector was comprised of micro entrepreneurs who try to avoid the costs, regulations and responsibilities of formal registration. One of the main proponents, Hernando De Soto, perceived informality to be the result of “excessive state regulation” and informal activities are seen as a process of “deregulation. He believed that people in the informal sector are really entrepreneurs with great potential and whose activities can make a major contribution to economic growth but find their entrepreneurial spirit thwarted by government rules and regulations or lack thereof - like a lack of property rights, (De Soto, 1989). However, this theory has been criticized for viewing informality as a choice. Opponents argue that the informal economy consists more of small scale and marginal activities than profitable businesses and that its heterogeneous nature entails that different operators face different challenges. In Zambia like most developing countries, the majority of people resort to the informal sector as the only means to survive. Neoliberal theorists also argue that giving property titles to the poor and removing regulation will lead to the growth of entrepreneurship and hence employment in the informal economy but the approach has been criticized for exaggerating the role of property rights in Economic development (Ahiakpor, 1998). Opponents have argued that having land does not guarantee successes in entrepreneurial activities and that other factors like the skills and entrepreneurial capabilities of operators come into play.



Lastly, while having Dualistic elements, the *Structuralist* school argues that the informal economy is a feature of capitalist development. In this view the informal sector is seen as being subordinated to, even exploited by, the formal sector, in order to lower costs and increase the competitiveness of large firms. The modes and forms of production in both the formal and informal economies are thought to co-exist and interdependent on each other. (Portes, Manuel, & Benton, 1989) This approach recognizes the fact that there are linkages between the formal and informal economies and that the distinction between these two sectors is not always clear - it analyses the backward and forward linkages that exist between these two sectors and how these linkages operate (Chen, 2006). Furthermore, Kamete 2004 asserts that in times of crisis or state failure, many state enterprises in the formal sector collapse thereby allowing informal enterprises to take on some of the 'typical' formal sector activities.

This paper adopts a multidimensional approach that includes aspects of the main theories and arguments about the informal economy. While recognizing the dualistic nature of Zambia's economy, the study takes into consideration Structurists views of the complex relationships between capital and labour where informal sector workers assume the different roles in the labour market such as employer, employee and own operator. De Soto's recognition of the entrepreneurial potential of the informal economy and its ability to create employment and reduce poverty among urban dwellers is a very important aspect of the neoliberal theory and supports the main objective of this study.

### 3.1.3 Defining a Youth

<sup>9</sup>The definition of youth varies from country to country. Not only does the perception of youth vary historically and culturally, it also varies from one context to another and even within contexts (Chigunta, 2013). For statistical purposes and without prejudice to the definitions of member States, the United Nations (UN), defines a youth as a person within the age of 15 and 24 years. Definitions also vary within United Nations organisations as in Table 9. However, the UN secretariat recognizes all the definitions listed in table 9 (<http://www.un.org>).

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<sup>9</sup> In Africa, the definition depends more on which dimension of 'youth' takes precedence. It can be demographic (age); cultural (notions of adulthood); biological (attainment of puberty); social (attainment of 'maturity' or marriage-ability); or economic (ability to sustain oneself). Sociologically, 'youth' denotes an interface between 'childhood' and 'adulthood'. (Chigunta, 2013).

**Table 9:Definitions of Youth by Different International Organisations**

Entity/ Instrument/ Organisation	Age	Reference
UN Secretariat/ UNESCO/ILO	Youth: 15-24	Um Instrument s/ Statistics
UN Habitat (Youth Fund)	Youth: 15-32	Agenda 21
UNICEF/WHO/UNFPA	Adolescent: 10-19, young people: 10-24, Youth: 15-24	UNFPA
UNICEF/ The Conventions on the Rights of a Child.	Child until 18yrs	UNICEF
The African Youth Charter	Youth; 15-35	African union 2006
Source: Adapted from Harasty, Kwong and Ronnas 2015		

Due to the fact that the demographic definition of a youth is heterogeneous in nature, this paper, will use the definition adopted by the Zambian Central Statistical Office (CSO), through its revised National Youth Policy of 2015 which conforms to the African Youth Charter that defines a “Youth” as a male or a female person aged between 15 and 35 years. A distinction is made between ‘younger youth, aged between 18 - 19 years, ‘older youth’ aged between 20 - 25 years, and ‘adult youth’ aged between 26 - 35 years. (Chigunta, 2013).

The age of 15 years is used with consideration to the minimum legal working age in Zambia. At the same time, using the limit 35 years, in conformity with the upper age limit for the youth, as officially defined in the Zambian National Youth Policy of 2006. (*Refer to youth policy 2006*). The terms “youth” and “young people” will be used interchangeably throughout this paper.

### 3.2 YOUTH AND THE LABOUR MARKET IN ZAMBIA

The plight of Zambian youth is reflected in the state of the country's labour market. As the population and demographic statistics have revealed, Zambia has a young population and, as such, a young labour market. Furthermore, as mentioned in earlier discussions, the country's population is expected to double by 2030, yielding a fast-growing and youthful labour market over the next decade and a half (World Bank, 2013). As an economy that faces a youth biased labour supply trajectory, and as a newly graduated middle income African country, Zambia faces a unique set of challenges and opportunities in its growth and development policy. One of these challenges is to ensure that jobs are provided to the rapidly growing number of new job seekers entering the Zambian labour market. This section will give an overview of the labour market in Zambia and then further place a specific focus on the youth in the labour market.

**Table 10: Overview of the Labour Market in Zambia, 2014**

Zambia	Total	Total	Male	Male	Female	Female
<b>Total population</b>	14.983.315	100	7.351.247	100	7.632.068	100
<b>Working Age</b>	8.149.797	54,4%	3.951.744	54%	4.198.053	55,07%
<b>Economically active</b>	6.329.076	77,7%	3.045.159	77,06%	3.283.917	78,2%
<b>Unemployed</b>	469.851	7,42%	256.147	8,41%	213.704	7%
<b>Employed</b>	5.859.225	92,58%	2.789.012	92%	3.070.213	94%
<b>Employed in agriculture</b>	2.864.158	48,9%	1.651.552	59,2%	1.343.515	44%
<b>Informal agricultural employment</b>	2.757.214	47,06%	1.061.561	38,1%	1.695.653	55,23%
<b>Employed, non-farm</b>	2.995.067	51,12%	1.651.552	59,2%	1.343.515	43,8%
<b>Formal non-farm employment</b>	837.313	14,3%	598.268	21,45%	239.045	8%
<b>Informal non-farm employment</b>	2.157.755	37%	1.053.284	38%	1.104.470	36%
<b>Informal Sector</b>	4,914,969	84%	2,114,845	76%	2,800,124	91%
<b>Formal Sector</b>	944,256	16%	674,167	24%	270,089	8%

Source: CSO; LFS, 2014

Of the total population of 14,983,315 people, 8,149,797 persons were of the working age population. 6,329,076 were economically active while 5,859,225 people, representing 92.58 percent of the economically active population were employed. The country recorded an unemployment rate of 7.42 percent in 2014. Table 11 shows that of the total employed persons, 84 percent worked informally while only 16 percent had formal sector jobs. The data shows that the majority of Zambians are working however seems to support the assertions that the problem of employment in Zambia is not necessarily unemployment but the lack of decent and productive jobs, most specifically in the Informal sector.

**Table 11: Percentage Distribution of Labour Force, Zambia 2014**

<b>Zambia</b>	100%
<b>Working age</b>	54.4%
<b>Economically active</b>	77.7%
<b>Unemployed</b>	7.42%
<b>Employed</b>	92.58%
<b>Employed in Agriculture</b>	48.9%
<b>Informal Agriculture Employment</b>	47.06%
<b>Employed Non-Farm</b>	51.12%
<b>Formal Non-Farm</b>	14.3%
<b>Informal Non-farm</b>	37%

Source: Calculations Based on Labour Force Survey 2014

#### Employed Population

This is the total number of persons who have a paid job in cash or in kind, are in self-employment or are in contributing family work. All persons who have a paid job and are on leave, as well as those in self-employment but are absent from work due to various reasons such as inadequate raw materials, labour dispute, absence of business opportunities, etc., are all considered employed. (CSO, 2013). In addition, employed population includes persons engaged in market economic activities such as selling of goods, production of goods and services and some non-market economic activities such as production of goods and services for own consumption performed for at least one hour (CSO, 2013).

**Figure 6: Percentage Distribution of Employed Population by Status in Employment, Zambia, 2014.**

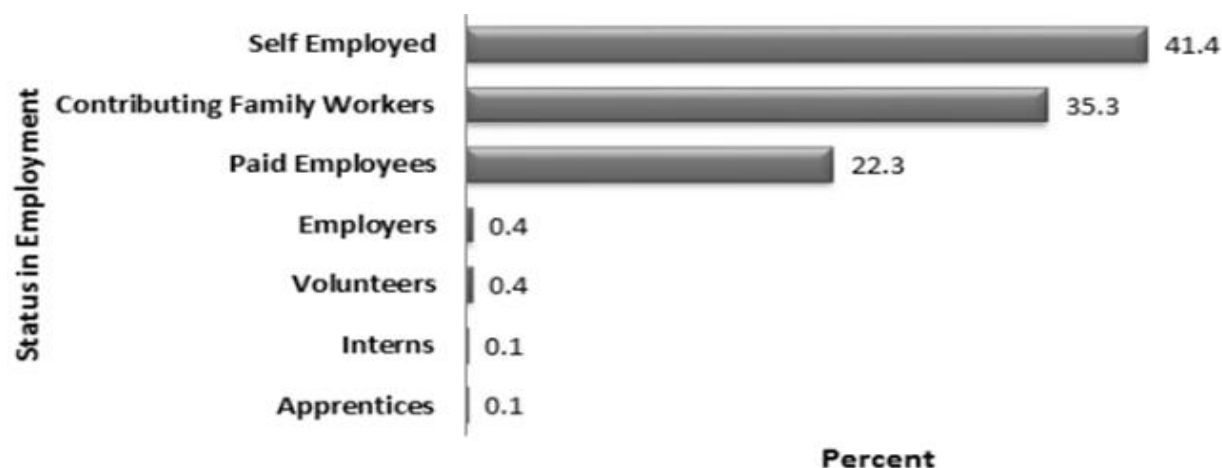


Figure 6 shows the distribution of employed persons by status in employment and by institutional sector and employment type respectively. The majority of people in Zambia are self-employed and like most developing economies, most self-employed workers operate in the informal sector. In the capital Lusaka, youths are engaged in either street vending in all sorts of merchandise, shop-keeping, metal fabrication, bricklaying and carpentry. Female youth are mostly engaged in domestic work, are marketeers, or work in saloons as hairdressers. The labour force survey results in (figure 6) revealed that 41 percent of workers in Zambia were self- employed in 2014, 0.4 percent were employers while 22.3 percent were paid employees. Contributing family workers accounted for 35.3 percent of the workforce, 0.4 % were volunteers and interns and apprentices were at 0.1 percent each.

#### The Formal and Informal Sector

The Formal Sector Refers to all production units that are registered with a tax and/or a licensing authority. On the other hand, the Informal sector refers to all production units that are not registered with a tax or a licensing authority.

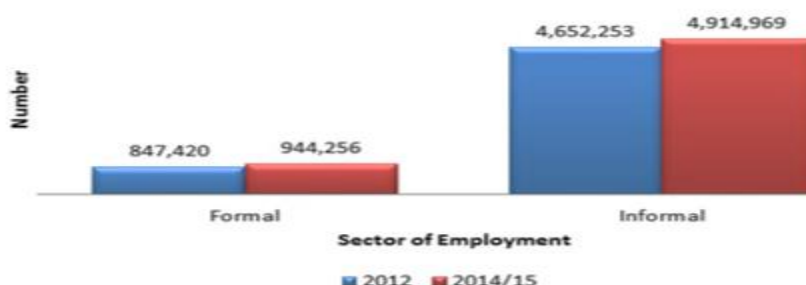
**Table 12: Distribution of Employed Persons by Sector, Male Female, Zambia 2014**

Rural/Urban	Both Sexes		Male		Female	
	Number	Percent	Number	Percent	Number	Percent
Total	5,859,225	100	2,789,012	47.6	3,070,213	52.4
Formal Employment	629,626	10.7	463,385	73.6	166,241	26.4
Informal Employment	5,229,599	89.3	2,325,627	44.5	2,903,972	55.5

*Source: Labour Force Survey 2014*

According to table 12, in 2014, 5,859,225 persons were employed in Zambia, of which 5,229,599, representing 89.3 percent, were on the informal sector. Only 10.7 percent had formal sector jobs in 2014. 55.5 % of informal sector workers were female and 44.5 were male. In the formal sector, only 26% of the workers were female while male workers dominated at 73.6 percent.

Zambia's employment situation is characterized by high informality. According to UNHABITAT, 2010, globally, about 85% of all new employment opportunities occur in the informal sector. According to the findings of the labour force surveys of 2012 and 2014, the majority of Zambia's workforce is employed informally.

**Figure 7: Formal and Informal Sector Employment Zambia 2014**

Source : CSO 2015

Figure 7 illustrates the growth of the informal sector employment compared to the formal sector in Zambia. Calculations of the data demonstrates that very few formal jobs are being created in Zambia. Between 2012 and 2015, the number of formal jobs rose from 847,420 to 944,256, recording an increase of only 96,836 new jobs while informal sector employment grew by 262,716 new jobs, from 4,652,253 to 4,914,969 in the same period. The rate of growth of the two sectors exposes the inability of the economy to generate enough formal sector jobs at the same rate as the informal sector.

The formal sector represents a small fraction of the total labour market in Zambia. Table 13 shows the change in formal job creation in different sectors of the economy.

**Table 13: Formal Job Creation by Industry Between 2008 And 2012**

Sector	2008	2012	Change 2008–12	
			No. of jobs created	% of total
Agriculture, forestry and fishing	71,888	87,420	15,532	4.6
Mining and quarrying	62,082	67,608	5,526	1.6
Manufacturing	36,923	73,814	36,891	10.9
Electricity, gas and water	10,683	17,403	6,720	2.0
Construction	13,889	36,676	22,787	6.7
Trade, wholesale and retail distribution	28,706	110,365	81,659	24.1
Hotels and restaurants	16,689	29,574	12,885	3.8
Transport and communications	29,484	77,692	48,208	14.2
Finance, insurance and real estate	12,935	14,655	1,720	0.5
Community, social and personal services	225,680	332,213	106,533	31.5
Total	508,959	847,420	338,461	100.0
<i>Not stated</i>	2,379	0		

*Source: Harasty and others 2015*

The table shows that new formal jobs in the Zambian economy were created in the service sector most specifically in the community and social services sectors, followed by trade and wholesale/retail. These sectors do not produce productive jobs and contribute very little to the GDP of the country. In recent years, the transport and communications, as well as manufacturing sectors have contributed to the creation of formal jobs through governments efforts to encourage large scale investments in manufacturing and value addition especially in the agriculture sector. The majority of workers employed in these sectors are youth but the quality of jobs is relatively low.

**Table 14: Annual Change in Employment and Value Added Zambia**

<b>Sector</b>	<b>Employment</b>	<b>Value Added</b>
Agriculture	-0.5	-0.8
Mining	6.7	13.2
Manufacturing	3.9	5.5
Construction	19.0	8.4
Energy	6.7	3.7
Trade	7.1	6.7
Transport and Telecommunications	10.7	20.9
Tourism	9.4	3.4
Finance	-8.3	4.7
Community/ personal Services	10.1	12.5

Source: CSO 2011,2012, 2013

Table 14 shows that the annual change in employment is much greater in construction followed by transport tourism and energy. These sectors have shown growth in the last few years in Zambia due to the large investments in infrastructure and the promotion of tourism. Agriculture and finance showed the lowest rate of growth in the three years. This data illustrates the nature of work in the agriculture sector in the recent years. Wage employment is scarce and the sector is heavily characterized by self-employed subsistence activities and unpaid family work. The financial sector, on other hand is mostly in the private sector and employs very few workers.

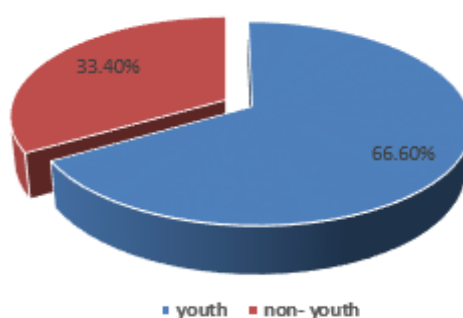
According to table 15, the majority of informal sector workers in Zambia (91.9%) are either working in private business or farm work (agriculture). This institutional sector only accounts for only 48.9% of formal jobs. The data also revealed that 0.4 percent of workers worked informally in central government while 35.0 % were employed formally. This information clearly demonstrates that the problem of informality is largely in the private business (urban setting) and agriculture sector (rural setting).



**Table 15: Percentage Distribution of Employed Persons by Institutional Sector and Type of Employment, Zambia 2014.**

Institutional Sector	Type of Employment	
	Formal Employment	Informal Employment
Central Government	35.0	0.4
Local Government	4.0	0.1
Parastatal/State-owned Firm	7.5	0.2
Embassy/International Organization	0.4	0.0
Private Household	1.3	6.9
Producers' Co-operative	0.4	0.1
NGO, Faith-based Organization	2.4	0.3
Private Business/Farm	48.9	91.9
Source: Labour Force Survey 2014		

**Figure 8: Working Age Population by Age Cohort, Zambia, 2014.**



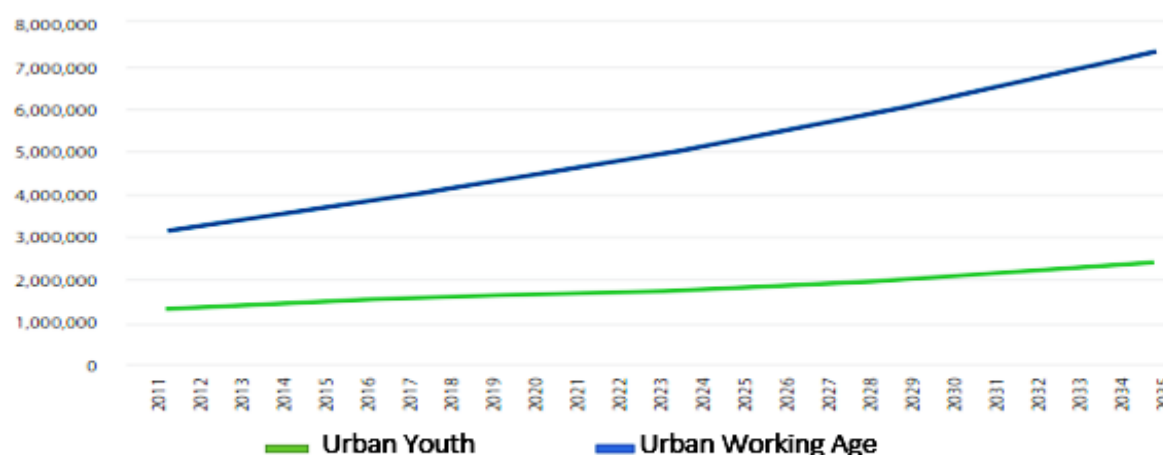
*Source: Adapted from LFS 2014*

Using data from the total population of 2014 figure 8 shows that of the total number of the working age population, 66.6 percent were youth aged between 15 and 34 years) compared to 33.4 percent non youth. As more young people enter the working age, the urban youth population is also expected to rise.

Figure 9 shows the projections for the increase in urban working age population and the urban youth working age from 2011 to 2035. Data shows that the youth working age population will continue to increase as the urban population increases. In a developing agrarian economy like Zambia young people cannot afford to be unemployed and have to accept jobs with low earnings and underemployment. The majority of youths considered employed are in informal employment.

Therefore, wage employment is not representative of the working status of the majority of the population.

**Figure 9: Urban Working Age Population Projections (Total and Youth)**



Source: Census Of Population and Housing 2011-2035 Zambia

### Labour Force Participation Rate

This is defined as ratio of the Labour Force to the overall size of the Working-age population. It measures the country's working-age population that engages actively in the labour market, either by working or looking for work relative to the population of the working-age, (CSO 2013).

**Table 16: Labour Force Participation Rate by Age Group Zambia**

AGE GROUP	PERCENTAGE%
15-24	43.3%
25-34	81.1%
35-65	85.8%

Source: Adapted from Bhorat 2015 (based on 2012 LFS)

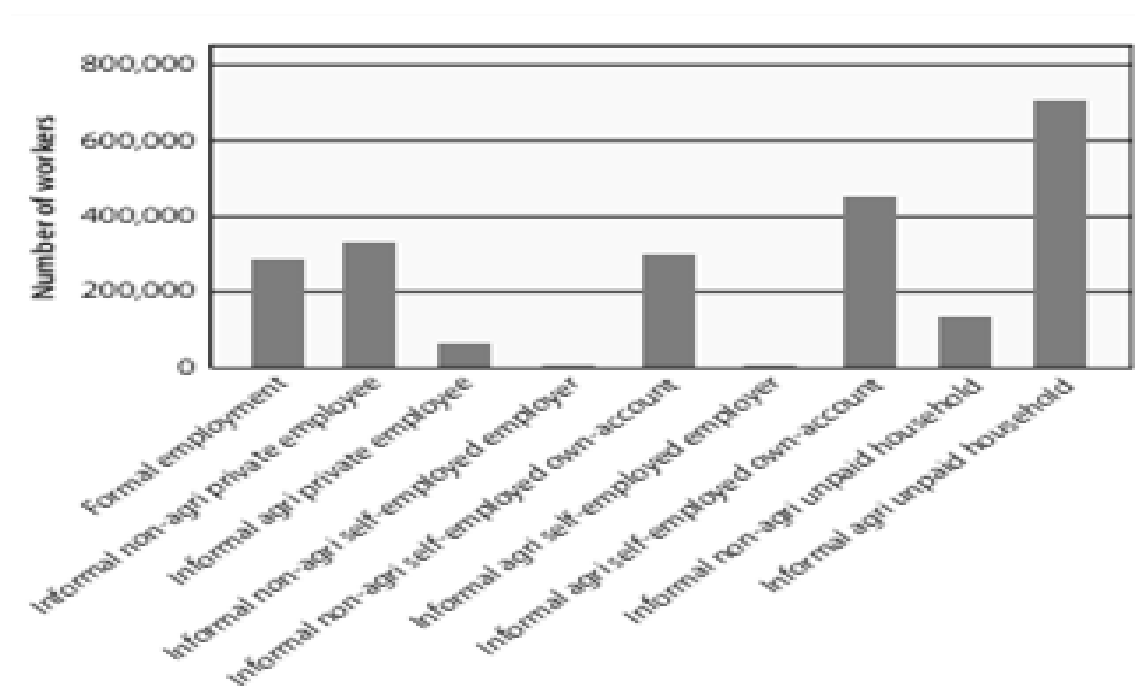
The 2012 labour force survey indicated that 43.3% were youth between the ages of 15-24 while the rate for older youth between the ages of 25 -35 was 81.1%. The overall participation for non-youth, 35 years and above was 85.8% (Labour Force Survey 2012). This can be attributed partially, to the fact that many young people between the ages of 15-24 are more likely in school or are in the process of attaining some form of tertiary education thereby making them economically

inactive. Secondly, a good number of youth in this age group have either completed their secondary school education, completed a tertiary course or may have dropped out of high school but are unable to find employment. This data also illustrates that young people in Zambia generally find it harder to transition from school to employment because of the lack of employment opportunities. It might take them a few more years to find work hence the higher participation for older youth.

### Employed Youth

Statistics reveal that the majority of youth in Zambia are employed in the informal sector. The most dominant being, the agriculture unpaid and households work, followed by informal agriculture self-employed work.

**Figure 10: Youth Employment by Labour Market Segment**



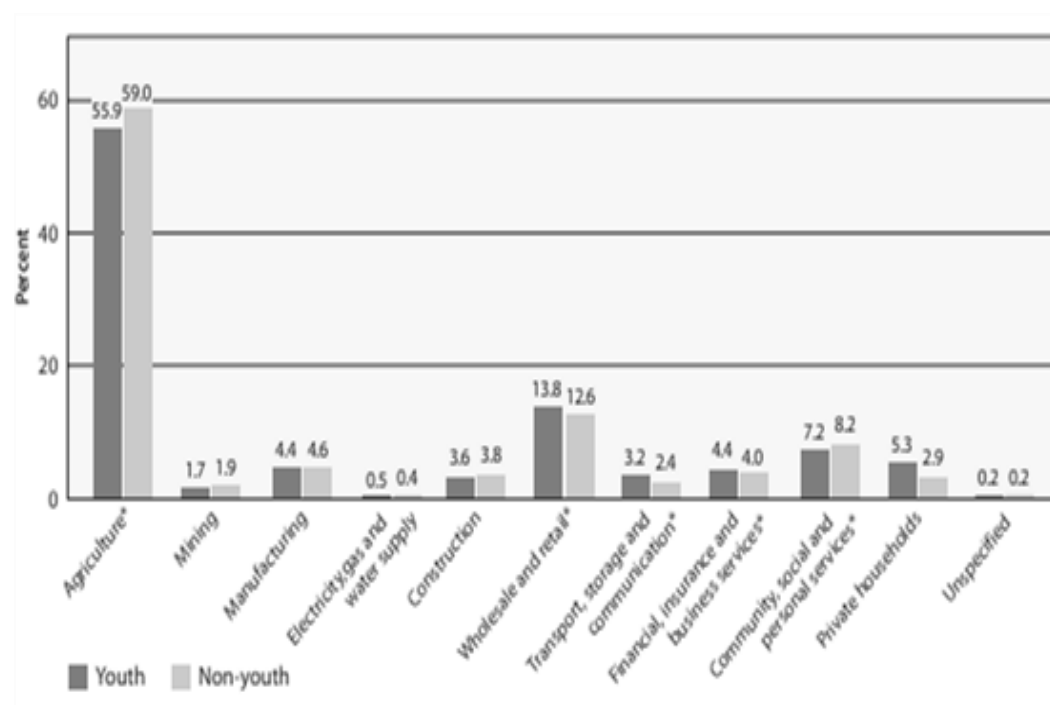
*Source: Bhorat, 2015*

Figure 10 reveals that amongst the employed in Zambia, youth tend to find themselves in marginal forms of employment. It shows that after informal unpaid household work and own-account self-employment in agriculture, the other major sources of employment for Zambian youth are non-agricultural wage employment and own-account self-employment in the informal sector.

**Table 17: Youth Employment by Employment Status and Sex, Zambia, 2012.**

<b>Employment Status</b>	<b>Total</b>	<b>Male</b>	<b>Female</b>
Wage and Salaried Workers (Employees)	39.0	42.2	35.2
Self-Employed With Employees (Employers)	6.1	7.8	3.9
Self-Employed without Employees (Own- Account Worker)	24.7	22.6	27.3
Contributing Family Workers	26.8	24.3	29.8
Not Classified by Status	3.4	3.0	3.8
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

*Source: Adapted from SWTS-Zambia 2012*

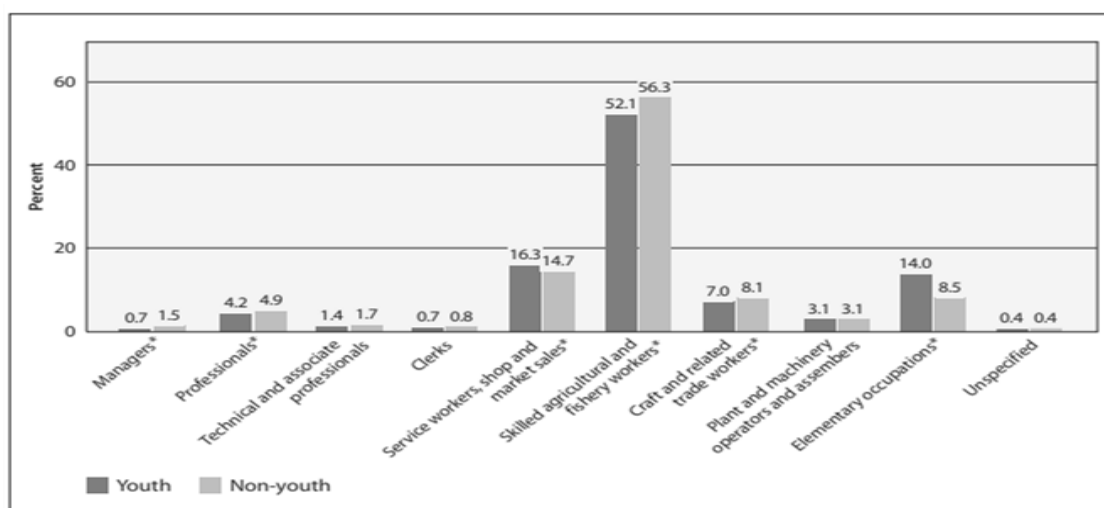
**Figure 11: Employment by Industry and Age Category**

*Source: Borat, 2015*

Since Agriculture is mainly a rural activity, the key industries serving as employment sources for urban youth are the wholesale and retail trade industry as well as the community and social services industry at 13.8 and 7.2 percent respectively.

Figure 11 shows that Agriculture is the most common source of employment for both youth and non-youth in Zambia at 55.9% and 59% respectively. However, a large share of this is unpaid household work or subsistence agriculture. This is followed by wholesale and retail trade where the majority of urban youth find themselves.

**Figure 12: Distribution of Employment by Occupation and Age Category Zambia 2014**



*Source: Bhorat 2015*

Figure 12 shows that the main non-agricultural occupations that employ youth are semi-skilled occupations such as service workshop and market sales, craft and related trade activities, and unskilled elementary occupations. Agriculture is by far the most common source of employment, comprising 55.9 and 59 percent of youth and non-youth employment, respectively. However, it is important to note that a large share of this is unpaid household work or subsistence agriculture, which are categorized as marginal forms of employment.

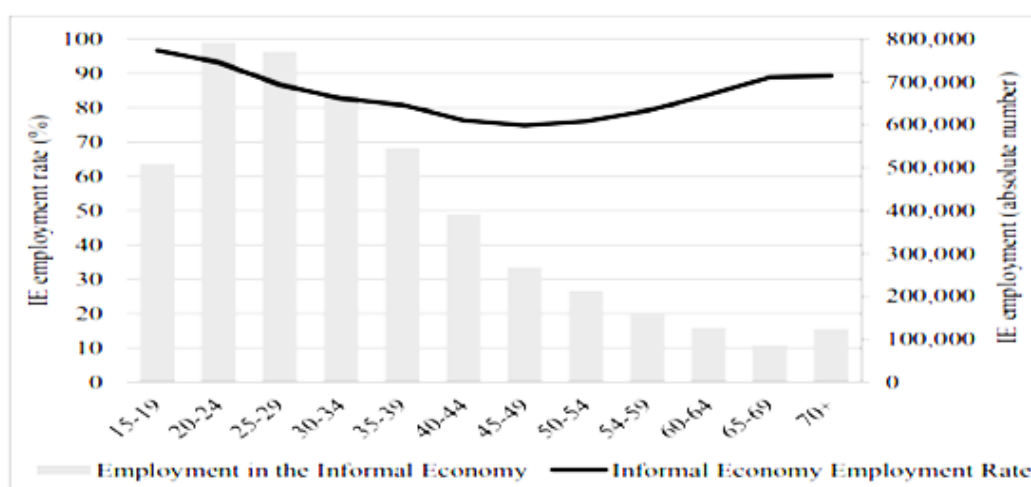
### **Informality among the Youth**

Table 18 shows the level of informality among the youth in Zambia. In 2014, 79.2% of youth worker for informal establishment while 16% were employed informally by registered institutions. A large part of informal employment is in the informal sector, however the level of informally employed people also reveals the level of precarious nature of wage employment in Zambia today.

**Table 18: Youth Informal Employment by Composition and Sex, 2012 and 2014(%)**

	Total		Male		Female	
	2012	2014	2012	2014	2012	2014
Youth Informality of which;	<b>94.7</b>	<b>93.0</b>	94.0	92.7	95.6	93.4
-Informal Employment	<b>16.0</b>	<b>20.1</b>	16.2	24.5	15.8	15.1
-Employment in the Informal						
Sector	<b>78.7</b>	<b>73.9</b>	77.7	69.1	79.8	79.2

Source: ILO, 2017, Based On (SWTS) Report

**Figure 13: employment in the informal sector by age, 2012% qnd absolute numbers**

Source: Adapted from the 2012 LFS

Figure 13 shows the distribution of employed persons in the informal sector in Zambia. The 2012 labour force survey revealed that young people from the ages of 20- 34 are the most prominent in informal sector occupations. This can be attributed to the fact that they face the greater challenge of transitioning from school to work in a competitive labour market due to very few job opportunities in the formal sector, their relatively lower skill and education level and/or lack of experience. However, in a developing agrarian economy like Zambia young people cannot afford to be unemployed and have to accept jobs with very low earnings and poor conditions. And since the majority of youths considered employed are in informal employment, wage employment is not representative of the working status of the majority of the population.

**Table 19: Informality by Sector Zambia 2014**

	Agriculture	Wholesale and Trade	Manufacturing	Tourism	Construction
<b>Informal</b>	98.2%	88.7%	95.2%	79.4%	94.7%
<b>Formal</b>	1.8%	11.3%	4.8%	20.6%	5.3%

Source: Labour Force Survey 2014

Table 19 shows the level of informality in four of the most important sectors of the economy. The 2012 labour force survey revealed that of those employed in the informal sector, 98.2 percent were in agriculture, 88.7 % in wholesale and trade, 95.2% in manufacturing, 79.4% in tourism and 94.7% in construction. For those employed in the formal sector, 1.8% were in agriculture, 11.3% in trade, 4.8% in manufacturing 20.6% in tourism and finally 5.3% in construction.

### Youth Unemployment

The Unemployed Population refers to all persons in the labour force who are completely jobless and are available and actively looking for work during a given reference period. Included also are those not working, not looking for work but are available for work. Youth Unemployment particularly, refers to share of the labour force aged 15 to 35 years without work but available for and seeking employment (CSO, 2013). One of the biggest challenges faced by Zambian youth, is the lack of income generating opportunities. In urban areas specifically, unemployment among the youth is more rampant than in rural areas.

**Table: 20 Distribution of Unemployed (Youth 15-35 years) Zambia, Rural and Urban.**

<b>Age Group</b>	<b>Labour Force</b>	<b>Total Unemployed</b>		<b>Rural</b>	<b>Urban</b>
<b>Total</b>	<b>3,812,923</b>	<b>400,810</b>		<b>131,330</b>	<b>269,480</b>
<b>15-19</b>	582,502	99,883		39,901	59,983
<b>20-24</b>	1,110,911	153,207		52,028	101,178
<b>25-29</b>	1,016,757	91,709		21,705	70,003
<b>30-35</b>	1,101,754	56,011		17,696	38,316
<i>Source: LFS 2014</i>					

The table 20 shows the percentage distribution of the unemployed youth rural and urban. There was a total of 3,812,923 youth in the labour force. 400,810 were unemployed. Of the unemployed youth population 269,480 were in urban areas while 131,330 persons were in rural areas. The highest number of unemployed youth of 153,207 persons was in the age group 20-24 years followed by 99,883 persons in the age group of 15-19 years. The lowest number of unemployed youth was in the age group of 30-35 years. (LFS,2014).

**TABLE 21: Youth Unemployment Rate Rural/Urban, Zambia 2014**

<b>Age Group</b>	<b>Labour Force</b>	<b>Unemployment rate Zambia</b>	<b>Rural</b>	<b>Urban</b>
<b>Total</b>	<b>3,812,923</b>	<b>10.5</b>	<b>6.4</b>	<b>15.5</b>
<b>15-19</b>	582,502	17.1	10.8	28.3
<b>20-24</b>	1,110,911	13.8	8.6	24.3
<b>25-29</b>	1,016,757	9.0	4.4	15.9
<b>30-35</b>	1,101,754	5.1	3.1	7.2
<b>Source: LFS 2014</b>				



Table 21 shows youth unemployment rate by age group and sector. The term “unemployment rate” is defined as the ratio of the unemployed population to the labor force in given period of time (CSO, 2013). The total unemployment rate among the youth labour force was 10.5 percent. Urban areas had a higher rate at 15.2 percent than rural areas at 6.4 percent. The age group 15-19 years had the highest unemployment rate at 17.1 percent, followed by the age group 20-24 years at 13.8 percent. The lowest youth unemployment rate was in the group 30-35 years at 5.1 percent. Youth unemployment is not spread evenly within the youth cohort. Gender, location and skill levels affect the likelihood of a young person being unemployed. (ZIPAR 2012)

### Education Status of Zambian Youth

The ILO conducted a series of surveys on school to work transitions in 20 countries around the world, Zambia being one of them. The ILO School-to-Work Transitions Surveys (SWTS) were aimed is to “promote decent work opportunities for young men and women through knowledge and action”. One of the objectives was to produce more and better labour market information specific to youth in developing countries, focusing in particular on transition paths to the labour market. (ILO, 2017). The survey in Zambia revealed Almost all Zambian youth have had some schooling. One third (38.1 per cent) had either no education or left school at an early age before completion. Young women were more likely to remain without an education than young men. The main reason for leaving school early (both sexes) is economic (inability to pay school fees or need to earn an income, (ILO, 2017).

**Table 22: Youth Population by Educational Status and Sex, 2012 And 2014 (%)**

Educational Status	Total		Male		Female	
	2012	2014	2012	2014	2012	2014
Never Attended School	2.8	9.4	2.0	8.4	3.7	10.3
Dropped-Out	30.0	28.7	25.6	26.0	34.2	31.2
Currently Attending						
School	40.4	34	43.9	36.2	36.9	33.5
Completed High School	26.8	27.1	28.5	29.4	25.2	25.0
Total	100	100	100	100	100	100

Source: ILO, 2017, Based On (SWTS) Report

Table 22 reveals that only 2.8 percent of Zambian youth have never been to school in their entire life and the number grew to 9.4 in 2014. The largest proportion of these youth were female. Young women also recorded the highest drop-out rates at 34.2 and 31.2 percent compared to the male drop-out rate at 25.6 and 26.0 percent in 2012 and 2014 respectively. The number of youth attending school in Zambia, reduced from 40.4 percent in 2012 to 34 percent 2014. This of course can be attributed to the high drop-out rates. The data showed that there were less women or girls attending school in Zambia and this was further reflected in the lower percentage of female graduates in both 2012 and 2014.

**Table 23: Youth Unemployment by Level of Education and Rural/Urban 2014**

Level of Education	Youth Labour Force	Total Zambia	Rural	Urban
Total	<b>3,813,923</b>	<b>10.5</b>	<b>6.4</b>	<b>15.2</b>
None	339,603	0.5	0.5	0.7
Nursery	16,502	4.3	3.6	6.9
Grade 1-7	1,427,613	7.3	5.8	11.9
Grade 8-12	1,868,830	14.7	10.2	17.5
A Level	25,709	14.7	0.0	17.5
Certificate	122,927	8.1	3.4	9.7
Degree	11,739	7.8	0.0	9.2
Source: LFS 2014				

Table 23 shows the youth unemployment rate by level of education, Rural and urban. The table shows that young people whose highest level of education completed were 8-12 had the highest unemployment rate at 14.0 percent while youth who had no education had the lowest rate of 0.5 percent. Persons whose highest level of education completed was 8-12 and A levels in urban areas, had the highest unemployment rate at 17.5 percent each. The statistics reveal that a very small proportion of youth who have no educational background or qualifications are actually unemployed. However, they make up the huge portion of informal economy workers that find themselves in highly precarious activities or unpaid family work. This category of youth usually is too poor to remain redundant and are always willing to accept whatever form of work opportunities available to them, whether for a wage or to be paid in kind. This data also implies

that while most young people with very low levels of education are the most vulnerable in the informal economy, they are also the most active. In urban areas of Zambia young men find themselves in precarious work like, digging trench holes for domestic construction sites, working in what is termed in Zambia as 'Piece work', gardening or washing vehicles in public places. Young women usually find themselves in different forms of domestic work. They are often walk along distances, knocking door to door in search of work either as occasional cleaners or to hand wash people's clothes. Secondly, the data reveals that some primary or/and secondary education graduates are less prone to such activities due to a higher literacy level. Needless to say, they face a different set of challenges in finding employment due to the high levels of competition for jobs. Youth with tertiary education also often face problems of skills mismatch in the labour market and hence find it hard to secure formal jobs. In some cases, they find themselves over qualified for typical informal sector employment therefore by making them more likely to be without any form of work. Though some might be willing to take up these forms of informal jobs, higher literacy means that they might likely demand a minimum wage or negotiate for their working condition hence most employees in the informal economy often avoid them and prefer the less educated for cheap labour. If they do secure jobs are more likely to be in time related underemployment.

### Underemployment

Underemployment is a measure of employment that looks at how well the labor force is being utilized in terms of skills, experience and availability to work. Labour that falls under the underemployment classification includes those workers who might be skilled but working in low paying/low skill jobs and part-time workers who would prefer to be full-time (CSO, 2013). Time-related Underemployment refers to a situation in which the number of working hours for the employed person is insufficient in relation to an alternative employment situation where the affected persons are available and willing to work for more hours. The short working hours reflect the lack of regular jobs and the precariousness of work in the country. Chigunta 2013. The ILO (2004) stated that there is a connection between underemployment and poverty. A high level of underemployment among youth might imply that they generally lack the power to bargain for more hours and pay or better conditions. In Zambia underemployment is more prominent in rural areas than in urban areas.

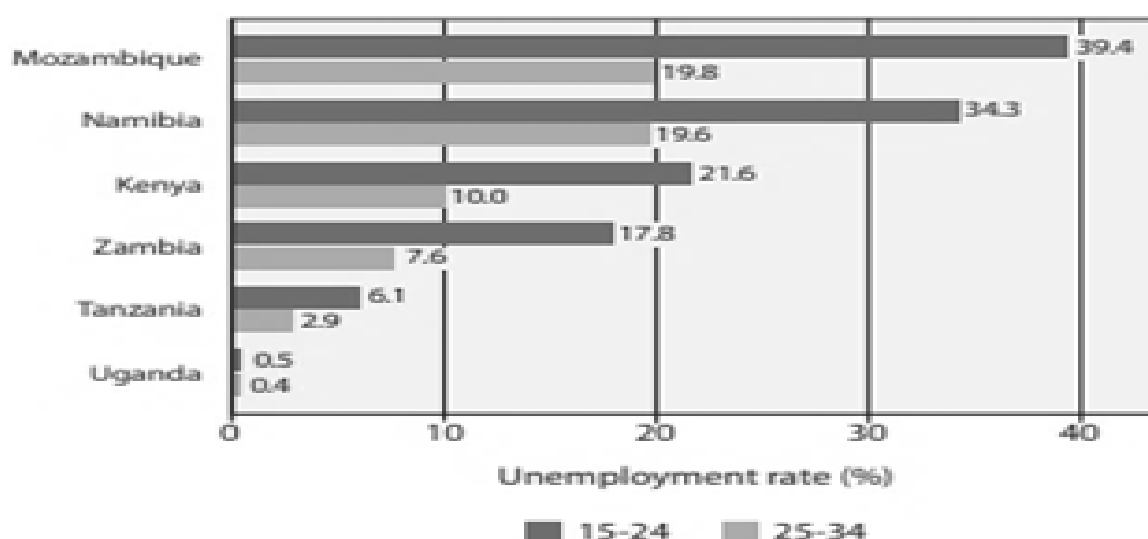
**Table 24: Underemployment Rate by Sector, Zambia 2014**

	<b>Underemployment</b>
<b>Total</b>	70%
Urban	36%
Rural	83%

Source: Labour Force Survey 2014

### Vulnerable Employment

The ILO defines workers in vulnerable employment as the sum of own-account workers and contributing family workers. They are less likely to have formal work arrangements, and are therefore more likely to lack decent working conditions, adequate social security and trade union representation or other organizations. Vulnerable employment is often characterized by inadequate earnings, low productivity and difficult conditions of work that undermine workers' fundamental rights. (ILO, 2010). Vulnerable Employment is significant feature of the Informal Sector in Zambia.

**Figure 14: Comparative Youth Unemployment Rates in Eastern and Southern African Countries**

Source: Bhorat, 2015

Figure 14 shows youth unemployment rates across of five low-income countries in Eastern and Southern Africa. Mozambique, Namibia and Kenya have relatively higher unemployment rates compared to Zambia. This data shows that many countries in the region are facing challenges in creating employment for their youth population.

### Wages among the Youth

In Zambia Wage and salaried workers, or employees generally receive a regular wage while remuneration for the self-employed, whether own-account workers or employers is dependent on the number of units sold or services rendered. Their incomes are subject to fluctuations and they do not have access to the entitlements made available to some wage and salaried workers (ILO 2017). Furthermore, youth with a higher level of education receive relatively higher wages compared to least educated youth as illustrated in table 25. (SWTS. 2012)

**Table 25: Average Monthly Wages of Young Workers (Wage and Salaried Worker and Self- Employed Workers) by Sex and Level of Education Zambia 2012.**

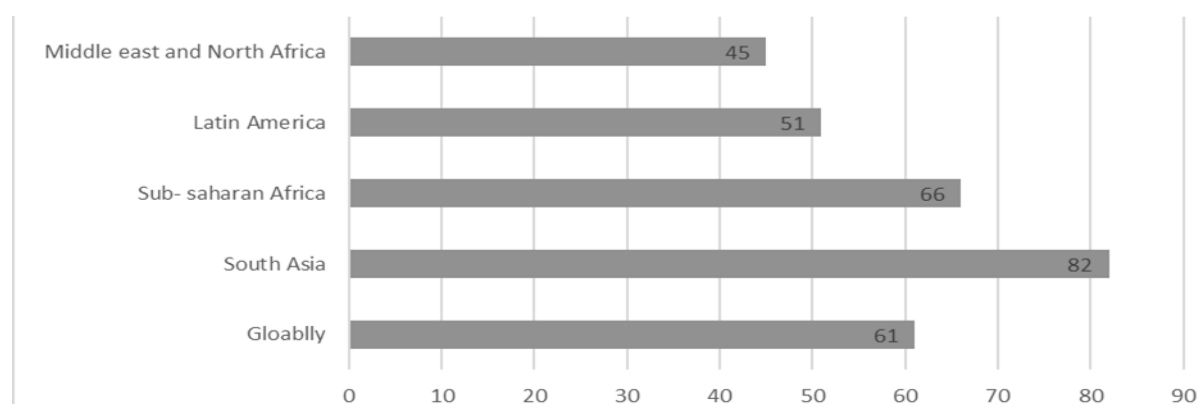
	<b>Wage and Salaried Workers</b>	<b>Own Account Workers</b>
	<b>Mean Monthly Wage in Kwacha</b>	<b>Mean Monthly Wage in Kwacha</b>
<b>Total</b>	953	614
Female	664	284
Male	1155	875
<b>Level of Education</b>		
Primary	387	236
Secondary	628	848
Tertiary	3072	2028

Source: Own adaptation from SWTS. 2012

### 3.3 The Role of the Urban Informal Economy in Youth Employment.

Official labour force statistics show that informal employment comprises more than half of non-agricultural employment in most regions of the global South – specifically, 82 per cent in South Asia, 66 per cent in sub-Saharan Africa, 65 per cent in East and Southeast Asia, and 51 per cent in Latin America. In the Middle East and North Africa, informal employment is 45 percent of non-agricultural employment.

**Figure 15: Informality as a Proportion of the Total Labour Force, 2012. World Regions**



*Source: World Bank 2012 Statistics*

Many governments in developing and developed countries have recognized this potential of the rapidly expanding informal sector in urban areas as an avenue through which more jobs and income generating activities could be created for the youth. (Sethuraman, 1981; Muller, 2003). The ILO further acknowledged that that even though the sector and its activities were unrecognised, unrecorded, unprotected and unregulated by public authorities, they were not just confined to marginal activities as previously thought but also included profitable enterprises that would grow and generate employment if provided the necessary tools (Becker, 2004). This section will show the most significant arguments presented by various scholars about the role the informal sector can play in the promotion of employment.

After Keith Hart's revelations and subsequent studies on the informal sector, recommendations have been made over the years about the need to support informal economic activities for job growth. However, according to (Katalin 2015), since the institutionalization of the concept of the informal sector, its positive and dynamic presentation became a bureaucratic one. Current research indicates that the informal economy accounts for more than half of the new jobs in Latin America

and 80 percent of new jobs in Africa. (Chen, 2012). According to research, more than half the workers of the world, or approximately 1.8 billion people, earn their living off the books and their numbers are growing (World Bank, 2013). While some have argued that the sector is only marginally productive, different authors have recognized that the sector is highly resilient and is a main provider of employment, goods and services for lower income groups in many countries. It provides a safety net for those that cannot find formal sector jobs hence putting them out of unemployment. The informal sector can allow for the employment of those unemployed, underemployed or unemployable. Those who fail to secure employment in the modern, organized sector are forced into the unorganized sector which has the capacity to absorb them either as casual labour, low wage employees in small enterprises, or as self-employed or family workers. (Swaminathan, 2003).

The informal economy allows for the absorption of excess labour in an effective and rapid way, something the formal sector lacks. The flexible markets and very little regulation allows the informal sector to change according to the needs and wants of the population around it without much effort. In Zambia some services can only be found in the informal economy as there are few or no formally established firms that provide those services. Examples would be in the construction industry- an industry that has provided the most jobs in Zambia in the recent past. Young people work as plumbers, house painters, carpenters, bricklayers and the like. Zambians also find it easier to acquire services from informal sector operators because are generally much cheaper and more flexible therefore, there is a large market for informal sector goods and services in Zambia. Throughout times of crisis, economic collapse or war, the informal economy is sometimes the only operational economy in many countries, (Chigunta, 2006).

Most informal activities are often characterized by self-employment which has become the core of the informal sector (Swaminathan, 2003). Perspectives on the nature and characteristics of the informal economy in general have changed over the years. A recent national report by the Zambia Institute of Policy Analysis and Research ZIPAR, suggested that government has not focused more on managing the existing urban systems where informal workers operate to enhance employment generation. Rather than trying to create new ones, there should be recognition of existing systems such as informal settlements and trading places and finding ways in which these systems can operate more efficiently and with better outcomes (Randolph, 2016). According to (Ruzek, 2014),

the informal sector can be the sole economic support of an individual or a supplementary job that complements the formal economy. In essence, this means, creating and promoting employment within the informal sector by not only providing support for the growth of informal sector enterprises and self-employment but also improving the environment within which these activities take place.

### **3.3.1 Wage Employment in the Informal Economy.**

Informal Wage Workers are labourers employed by other people. Wage employment accounts for a very small proportion of the informal sector in Zambia compared to self-employment. It is usually provided by private firms in most cases under precarious conditions. Youth informal wage employment is also found in the formal sector where registered firms employ young people on a casual or part time basis. The most common informal wage occupations are domestic work, security guards, small scale construction workers, shopkeepers or attendants and so on. These are often characterized by low wages and exploitative working conditions.

### **3.3.2 Youth Entrepreneurship and Self-Employment**

An analysis of the role of entrepreneurship in Micro Small and Medium Enterprises as well as Self Employment is relevant to this study for two main reasons.<sup>10</sup> The first is that MSMEs and entrepreneurial activities (a great bulk of the informal sector) dominate the African economy. The second is that if these micro firms are driven by opportunities and prove to be dynamic and innovative, the constraints to their growth should be eliminated.

In this paper, ‘youth entrepreneurship’ is defined as the “practical application of enterprising qualities by young people, such as initiative, innovation, creativity, and risk-taking into the work environment (either in self-employment or employment in small start-up firms), using the appropriate skills necessary for success in that environment and culture”. (Chigunta, 2013). Self-employment is a situation in which an individual works for him/herself instead of working for an employer that pays a salary or a wage. A self-employed person earns their income through conducting profitable operations from a trade or business that he/she operates directly. The self-

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<sup>10</sup> The business dictionary defines *Entrepreneurship* as the capacity and willingness to develop, organize and manage a business venture along with any of its risks in order to make a profit. ([www.businessdictionary.com](http://www.businessdictionary.com))



employed in this regard, can be considered as entrepreneurs. This type of employment makes up the greatest part of the informal economy in Zambia.

There is evidence to suggest that there is a positive association between entrepreneurship and some measures of economic success. It is for this reason that most national and international development organizations have emphasized the promotion of entrepreneurship initiatives in order to create jobs in the informal economy. International donor agencies such as the World Bank, United Nations Development Program, and the African Development Bank have identified the small enterprise sector as a key to development in African countries and have financed a number of projects to encourage the section to grow. Small enterprise development is regarded as crucial to the achievement of broader objectives such as poverty alleviation, economic development, and the emergence of more pluralistic societies. (ILO. 2013). Furthermore, entrepreneurship education is said to play major role in changing attitudes of young people and providing them with skills that will enable them to start and manage small enterprises at some point in their lives.

(Chigunta, 2013) highlights the following as the reasons why entrepreneurship among the youth in the informal sector should be promoted,

- a) It creates employment opportunities for both the self-employed youth and other young people
- b) It brings back the alienated and marginalized youth into the economic mainstream
- c) It helps to address some of the socio-psychological problems and delinquency that arise from joblessness
- d) It Promotes innovation and resilience in youth
- e) It promotes the revitalization of the local community
- f) Young entrepreneurs may be particularly responsive to new economic opportunities and trends
- g) It gives young people, especially marginalized youth, a sense of meaning and belonging, and
- h) And finally, Enterprise helps young women and men develop new skills and experiences that can be applied to many other challenges in life. (Adapted from Chigunta 2013)

In Zambia, the youth often find themselves in the highly precarious independent service sector and the Informal Microenterprise Sector (IME). Haan, 2006 defined work in the IME sector as “very small scale (both in terms of workforce and capital investment), use of outdated technologies and traditional forms of work organization and management, and reliance on local and regional

markets”. (Nicholaison, 2014). Haan further listed two categories of micro businesses in the informal economy; High End Microenterprises and Low End Microenterprises.

**TABLE 26: Typical Characteristics of informal microenterprises**

Low-end informal micro enterprise	High end informal micro enterprise
<ul style="list-style-type: none"> <li>● Self-employment activities that function as employer of last resort, especially for poor women and young people</li> <li>● Minor form of organization with help from close family members.</li> <li>● Usually part time or seasonal</li> <li>● No- modern technology</li> <li>● Local market</li> <li>● Income too low to reinvest and serves only has a contribution to household income</li> </ul>	<ul style="list-style-type: none"> <li>● Micro and small enterprises</li> <li>● Some potential for growth</li> <li>● Combination of traditional and modern technology</li> <li>● Products ranging from simple to complex</li> <li>● Relatively market oriented</li> <li>● Taxed (rentals, trading tax etc)</li> </ul>
<p>o</p> <ul style="list-style-type: none"> <li>● Activities associated with low end informal microenterprises include, marketeers and street vendors.</li> </ul>	<ul style="list-style-type: none"> <li>● Industries affiliated with high end informal microenterprises include. Metal workshops, woodwork, sawmills, small construction firms. Craftshops etc</li> </ul>
<p><i>Source: (Nicholaison, 2014)</i></p>	

Low end IMEs are a youth sanctuary due to the fact that they offer a relatively high ease of entry. High end IMEs have the potential to grow and provide decent employment for Zambia youth however financial barriers, a lack of relevant skills and technology have made it difficult for Zambian youth to set up high end IME and enhance their productivity.

### **3.4 The Role of China and its Effects on the Informal Economy**

The role of China in the urban informal economy in Zambia is significant in the sense that not only has Chinese investment had an impact on the economy at the macroeconomic level, it has also been very pronounced at the micro level. Since independence, Zambia, like most African countries, embraced Chinese investment for the development of its economy. This bilateral relationship has seen the completion of major projects over the years that have eventually contributed to the development of the country. The major areas of Chinese investment in Zambia particularly have been the mining, trade, and construction industries. The Chinese own the majority of the copper mines in the country and are also very active in the construction sector. China is also the biggest provider of bilateral aid. Currently, Zambia owes 30 percent of its external debt to China. The government has completely embraced Chinese investment due to the fact that it comes with little or no political conditionality's and African governments generally find this partnership, ideal. However, Zambia, just like most African states has failed to set limits and address the concerns raised about the long term effects this relationship may have on the economy.

In recent years, the involvement of the Asian country in all aspects of the economy has been enhanced. However, of particular concern in this study is the effect the Chinese presence has had on the informal economy and its impact on youth employment in recent years. There are a few major issues that need to be addressed.

- a. Chinese investors' hiring practices in Zambia's economy
- b. Unskilled and semi-skilled Chinese workers in Zambia's labour market
- c. Non- conformity to internationally set labour standards and investor obligations by Chinese firms.
- d. Influx of Unsolicited investments not under authorization of the Zambian and Chinese governments.
- e. Unregulated Chinese manufactures and exporters.
- f. Uncontrolled Chinese migration

The negative implications of the Chinese presence in Zambia have been more pronounced on the informal sector, on micro entrepreneurs as well as on the slow growing manufacturing sector in the country. Since 2003, overseas Chinese workers have been flocking to the country, taking jobs in the country's mines and establishing ethnic enclaves around them. Such enclaves are generally

characterized by firms that are clustered together, economically independent, and employing co-ethnics. Together they have created a distinct ethnic protected labour market, which functions to serve predominantly the needs of the Chinese community (Gadzala, 2010). The Chinese own large enterprises in mining, infrastructure and retail however, the biggest concern recently has been their involvement in small businesses that most Zambians feel disadvantage local microentrepreneurs who cannot handle Chinese competition. The recent migration of Chinese micro entrepreneurs into the country's high density urban informal economy has led to the failure of many indigenous firms, most significantly in the manufacturing and retail sector. The setting up of small scale manufacturing firms by the Chinese as well as the dumping of cheap goods on the local market has killed off local industries that were just coming off their infant stages. Furthermore, this proliferation of small-scale Chinese traders into Zambia's informal urban areas also has taken away the livelihoods of many microentrepreneurs and limited their opportunities for income generation and employment.

With Zambia's growing debt to China, it is feared that the country will lose its sovereignty and control over the economy and accept Chinese investment without setting standards on what is regarded as good foreign investment. Recently, there have also been fears that China is about to take over strategic national institutions, however these claims have been dismissed by the government of Zambia.

*Hiring Practices-* Despite being the biggest investor in Zambia's economy, the Chinese like to hire on a casual basis. The majority of Zambian workers hired in Chinese firms are either short term contracts, part-time or casual workers. The Zambia Development Act clearly stipulates the minimum requirements from foreign firms in terms of job creation and general labour standards, however Chinese investors have exploited Zambia's vulnerability most especially in the informal sector which has been left highly unprotected and unregulated. The influx for low skilled Chinese labour has resulted in the loss of jobs for many Zambians. For example, the increasing number of Chinese workers in the Chinese-owned Chambishi mine on the Copperbelt province, has driven out many skilled and low skilled formal sector Zambian workers off their posts and offloaded them into the informal economy. (Gadzala, 2010). Because China owns the majority of the firms in the mining sector as well and is very active in the highly informal sectors of the economy, it is safe to state the Chinese are at both ends of the value chain which will continue to make it hard for

indigenous people to compete. And despite the fact that Chinese labour practices are not unique to Zambia alone, the extent to which they have been left unregulated in Zambia's informal economy is a great cause for concern.

Lastly with the rapidly growing involvement of China in Zambia and the accumulation of huge debts by the later, the true impact of Chinese presence in both Zambia's formal and informal economy is yet to fully manifest itself.

### **3.5 Challenges Faced by Youth Informal Workers.**

Globalization and highly competitive markets have forced companies to rely on atypical, non-standard work arrangements that are less costly to employers but result in greater precariousness for workers. The continued *Informalization* and *Flexibilization* of labour contracts means there is less and less demand for salaried workers. Young people in the informal sector are vulnerable and less and less likely have any chance of entering the formal sector. Secondly, the structural and technical changes in production, there is less and less demand for unskilled and semi-skilled labour. The majority of young people on the streets of urban areas do not have advanced skills acquire decent jobs or set-up profitable businesses.

#### **(a) Challenges Faced by Young Informal Wage Workers**

##### **(i) Job Insecurity**

The deregulation of the Market economy in Zambia increased job insecurity among workers in the informal economy. Youth in the informal labour market are not protected against arbitrary dismissal and exploitation in the work place. Most young people working informally face a higher risk of job termination because of the lack of protection from trade unions and other organizations. The majority do not have written contracts or might have a verbal contract that is usually terminated at the employer's will.

**Table 27: Employment Arrangements for Youth and Non- Youth in Zambia.**

<b>General Characteristic</b>	<b>Youth%</b>	<b>% (Above 35yrs)</b>
Written contract	49.8	64.6
Oral contract	46.7	30.9
permanent	41.0	55.7
Fixed contract	28.9	24.6
Casual	22.4	13.4
Part-time	3.2	1.9
Seasonal	1.8	1.1
<i>Source: Adapted from Bhorat 2015</i>		

The data in table 27 shows that employed youth are less likely to have a written employment contract, and more likely to have an oral employment agreement, than non-youth. Youth are less likely to be employed in a permanent position than non-youth, and are more likely to be employed under fixed-contract, seasonal, or part-time employment, (Bhorat, 2015). Where young people are being employed, their terms of employment are more irregular than those of older workers.

#### (ii) Lack of Social protection

The informal economy in Zambia is hub of exploitation of youth labour. Since trade unions are almost non-existent in the sector, young people that are employed informally whether by informal firms or formal enterprises in the private sector, face a complex set challenges. There are high incidences of casualization and outsourcing, most of which is carried out by large firms in both rural and urban areas of the country. The youth and women with low level skills are usually the most vulnerable to casual insecure employment. They face uncertainty in terms of income flows, renewal of unwritten and oral contracts, lack social protection and other basic benefits such as overtime compensation, severance pay, unemployment benefits and sick leave. This lack of benefits does not allow poor youth to exit poverty and exclusion. (Duryuea et al. 2006).

#### (iii) High Vulnerability

Young women who are employed as domestic workers might face both sexual and physical abuse at the hands of their employers. There have been many cases reported in Zambia where young girls

were impregnated by their male bosses in the homes they work in. Because most of them are usually rural migrants who left their homes at a very young age, they find themselves without any form of protection. Young men usually face verbal as well as physical abuse at the hands of their employers.

#### (iv) Long Working Hours

Young people in Zambia's informal sector are often subjected to long working hours. The maximum legal number of hours that a person can work in Zambia is 48 hours per week. However young men and women who find themselves as workers in domestic service are among those who have to work long hours for little pay, with some working a total of 66 hours per week. Live in domestic workers are in a worse situation as they have no specified time frames for their work. Persons like security guards, whose work involves night shifts also are subjected to long working hours. Wage earners in the informal economy also face issues of time related underemployment.

#### (v) Hazardous Working Conditions

Informal workers in Zambia are in many instances exposed to occupational hazards and work accidents due to lack of precautionary measures by their employers. They face substantial risks and vulnerabilities due to insecurity surrounding their employment status and lack of control of the conditions of their employment. The combination of high vulnerabilities and inadequate social protections (including insufficient access to affordable health services) results in high incidences of injury, illness, and susceptibility to chronic diseases, (2012 ILO).

#### (vi) Poor Earnings

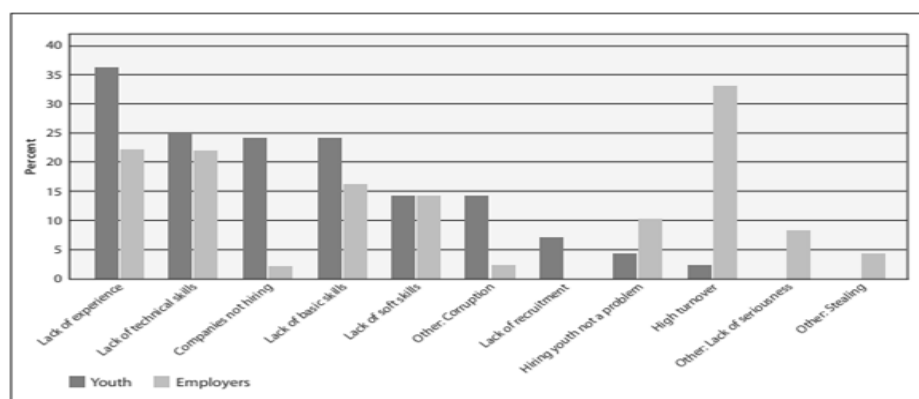
Most employers in the informal sector in Zambia do not conform to the minimum wage law. Because of the high levels of unemployment, young people are willing to work regardless of the low wages.

#### (vii) Skills Mismatches

On the labour supply side, personal constraints that come about as a result of inadequate human capital accumulation, low education, training and ability to manage risks and income. These prevent workers from accessing employment opportunities. Evidence shows that there is also a huge mismatch between what is been learned in the school system and what is required by the

labour market, (World Bank, 2013). The school curriculum in Zambia is not well aligned with the needs of the labour market. This is illustrated in figure 16 about the perspectives of youth and employers on the barriers to finding employment,

**Figure 16: Youth and Employer Perspectives on the Barriers to Employment**



(Adapted from Bhorat, 2015)

On the one hand, employers cite the high turnover rate of employees as the biggest barrier to young people finding employment, along with their lack of experience and technical skills. While, on the other hand, youth believe the lack of experience deters them from finding employment.

#### b) Challenges Faced by Self- Employed Youth Entrepreneurs

Despite the fact that the informal sector is less discriminatory in providing employment opportunities for young people, it also has its constraining elements. Micro-entrepreneurs, self-employed and own-account workers are the largest segments of informal sector workers in Zambia but is without a doubt that these people would like to grow their business and expand the market. The same applies to those with employees. The ability of any business to achieve success and hire more people depends on various factors that influence its growth path. Various factors contribute to the poor employment outcomes for urban youths in Zambia, particularly for those in the informal sector (Bhorat, 2015).

##### (i) Poorly performing economy

The most important factor affecting the level of entrepreneurial activity in a country is the overall performance of the economy. It determines the costs of undertaking that economic venture, including labour. Businesses in poorly performing economies are less likely to be successful. A



depreciating national currency will increase inflation rates that will eventually affect the prices of essential commodities. Businesses are also affected by external forces. An increase in the price of oil on the internal market results in heightened fuel prices that eventually led to increase in the prices of almost all commodities which include business inputs. Small businesses are disadvantaged the most in that their profits are usually marginal and they fail procure more inputs for their businesses to continue. When things become too expensive to purchase, people will spend less, and demand less of products and services, which in turn causes small businesses to fail. Furthermore, when government increases taxes to increase its revenue, as well as minimum wages small businesses are particularly are affected and in the end choose to continue operating informally, outside state protection.

#### (ii) Low productivity

Secondly, success and growth of businesses in any sector of the economy comes about as result of increased productivity in these firms. Several factors can be attributed to the limited growth and profitability of informal firms. Productivity is affected by several factors which include,

- Skills and access to financial capital and credit
- Access to land
- access to Social Capital and markets. (These factors will be explained in detail in this section).

Productivity increases incomes and business owners might want to re-invest for expansion in order to get more returns. Expansion of the firm's productive capacities require more resources including labour. For example, an entrepreneur producing chairs and making a substantial profit might want to increase his/her production by hiring more workers. Labour demand, (i.e., the number of workers that an employer/entrepreneur is willing to hire), depends on the demand for the products that labour helps to produce. The higher the consumer's demand for that product, the higher the demand for the labour that is required in producing it.

However, the usually low incomes of informal sector operators means that most are less likely to reinvest in the growth of their business and create jobs. Incomes are generated by sales, and these sales come as a result of enhanced productivity. The (Zambia Business Survey of 2010) revealed

that business activities run by young people in Zambia generally suffer from low productivity and as such, the demand for labour is low.

#### (iii) Poor Access to Markets

There is also limited access to global markets and value chains for most informal sector producers to expand their business. A good example is informal furniture producers in Kalingalinga Township in Lusaka. This semi- informal area of the capital city is a hive of small scale manufacturing activities performed by the majority youth. Activities are centred on the manufacturing all sorts of household furniture, metal fabrication, crafts and so much more. The area attracts many people from many parts of the city and beyond due to the good quality of the products. However, access to larger markets is limited due to poor branding and marketing. Youth in all sectors face challenges in accessing markets due to information asymmetries.

#### (iv) Lack of Entrepreneurial skills

Entrepreneurial skills are important for raising the productivity of informal sector enterprises, (World Bank, 2013). The lack of them undermines the chances of youth to grow their businesses and earn decent incomes. The problem of inadequate entrepreneurial skills among the urban youth is in part, a result of high drop-out rates, the poor overall quality of the education system, and weaknesses in technical, vocational, and entrepreneurship training programmes. In addition, due to the social economic status of many urban youth, few can afford to invest in human capital by acquiring a trade or craft for example, to help them create employment for themselves. (TEVET Report 2010; CSO, 2013)

#### (v) Lack of Access to Financial Capital and credit

Over the years, contemporary theorists have listed as one of the characteristics of the informal economy to a *'easy of entry'*, however, this notion is not completely accurate for the typical Zambian youth. The majority of young people on the streets come from very poor backgrounds, have limited connections and therefore face challenges in starting-up businesses. One of the greatest challenges to the growth of informal sector employment in Zambia is the lack financial resources. An analysis of seven urban enterprises in seven different cities in West Africa by (Grimm 2012), found that firm growth was correlated to family wealth. This implies that the lack

of access to finance particularly is a major constraint for business start-up and growth in the informal economy, (World Bank, 2013).

The amount of business initiative by most of the youth in the labour market cannot be downplayed. Many young people have gained dynamic skills from the informal sector. They are well adapted to their environment have a quick ability to recognize income generating opportunities within their markets. Most instances, they manage to start-up a small business venture (whether its street vending or washing cars on the streets) with little or no capital but, more often than not, they fail to sustain it due to financial constraints. According to a report by the Global Entrepreneurship Monitor (GEM, 2013), Zambia is one of the most entrepreneurial countries in the world, with over 41% of the adult population (18 to 64) involved in business activity. However as illustrated in the table below, the country suffers from high rates of failure among both new and established businesses, while those that do survive find it difficult to grow.

**Table 28: Activity in the Entrepreneurial Pipeline and Entrepreneurial Motivations in Selected African Countries**

<b>Country</b>	<b>Early Stage Entrepreneurial Activity</b>	<b>Established Business Ownership</b>	<b>Discontinuation of Business</b>	<b>Necessity Driven Early-Stage Entrepreneurial Activity</b>	<b>Improvement Driven Early Stage Entrepreneurial Activity</b>
<b>Angola</b>	32%	9%	26%	24%	38%
<b>Ghana</b>	37%	38%	16%	28%	51%
<b>South Africa</b>	7%	2%	5%	32%	40%
<b>Zambia</b>	<b>41%</b> <b>(Youth: 42%)</b>	<b>4%</b> <b>(Youth: 2%)</b>	<b>20%</b>	<b>32%</b>	<b>46%</b>
<b>Sub-Saharan</b>	28%	13%	16%	33%	47%
<b>Source: Adapted from Global Entrepreneurial Monitor 2013</b>					

The study further revealed that the early entrepreneurial rate among youth between the ages of 18-35 was 42 % with such a stock of dynamism, the country has enormous potential to use this resource for growth and prosperity. Despite the high incidence of business start-ups, the number of established business owners (those in existence for more than three and a half years) is extremely low at only 4% Zambia has the lowest rates compared to their African countries. Furthermore, the number of established youth business was at only 2%. Youth face the greater challenges and have far less support in growing their business.

In addition, many young people might want to get credit for the growth of their businesses but most financial institutions in Zambia require prerequisites for loan attainment that disqualify many young people who either have no valuable collateral or connections with decent jobs that can co-sign their loans. The ILO (2013) estimated that only one percent of self-employed youth use start-up financing from a microfinance institution or bank in Zambia. The large majority use their own savings or money from family or friends because the finance and microfinance industries seem to be particularly underdeveloped in Zambia, and industry regulation has been slow to respond to the growing need for this type of small-scale finance (GEM, 2013). Furthermore, most youth in Zambia do not have access to government grants or loans, which has been largely attributed to corruption and nepotism in the distribution of these incentives. Through a study of employment in Lusaka, it was discovered that 68% of urban youth do not have any knowledge of the grants or loans provided by government despite the fact that for many years the government has been providing loans and grants to young people through the citizen economic empowerment fund and the youth fund (Chigunta, 2012).

#### (vi) Access to Land

Zambian youth not only lack finances, they also lack land to carry out their respective business ventures. Drawing from De Soto's argument, the lack of ownership to land or space has contributed to the vulnerability of urban youth in the informal sector. Trading space allocation in Zambia's urban and city centers is plagued by biasness, illegality and corruption. Those that are able to find space on legal property face high rental rates, forcing those that can't afford to erect illegal makeshift stores in undesignated places. Urban youth particularly, have been forced to engage in street vending over the cities. The issue of land allocation in the town centers of urban Zambia is a very serious issue that needs to be addressed. Informal operators are often subjected to "playing

cat and mouse”, with local authorities all day who harass, confiscate their merchandise and chase them from undesignated trading places. This problem is exacerbated by the fact that prime areas which should be reserved for setting up markets and trading places for Zambian micro entrepreneurs is constantly been sold to private individuals who set up ventures that do no benefit the local populations.

#### (vii) The Role of Social Capital

There are different forms of social capital, Bonding Social Capital, Bridging Social Capital and Linking Social Capital, (adapted from Moonga, 2014). The majority of unemployed youth in Zambia suffer from lack either all or at least one of the three. Bonding social capital are strong ties with family members, friends and business associates. Because the majority of youth in the informal economy are rural migrants or the poor from urban slums, their bonding capital is most times very weak. They are more often isolated due to migration. In addition, the high prevalence of the HIV-AIDS virus has played a vital role, in that many young people are left orphaned and vulnerable, on their own, seeking refuge in the streets at very young ages. And in many cases, the people within their social and economic circles, are usually also from similar poor backgrounds. Secondly, young people in Zambia find it hard to have bridging social capital which is the maintenance of ties among people with similar economic and political influences but from different demographics and occupation. As earlier mentioned, poor urban youth are often only connected with people in their immediate environment. Lastly linking social capital which comprises establishment of ties between poor people and those in positions of authorities is only evident during times of elections and political campaigns where youth are used and forgotten thereafter. The fact that most youth have never worked in formal established institutions, their ties with authorities that can help them improve their livelihoods is almost nonexistent. The general lack of social capital by most youth has resulted not only in isolation and vulnerability but labour market information asymmetries, that entail the at most times young people remain uninformed about the workings of the labour market, how to access credit or grants for business startups or what skills to develop to secure formal jobs.

#### (viii) Unfair Competition

Coupled with the lack of capital and skills, youth in Zambia face the external barriers to the development of their business initiatives in the informal economy. The last decade has seen the

proliferation of foreign family businesses from East African countries, operating in the informal microenterprise sector in almost all residential areas of Lusaka and the Copperbelt. These businesses are mainly concentrated in retail and wholesale trade as well as construction. Not only are these firms taking away business from young Zambian entrepreneurs but they do not add to employment growth amongst locals in that they bring own relatives to work for them. These firms choose to operate informally to avoid paying taxes and set up a number chain stores broken down into small units and spread across different townships in the cities instead of setting up one big enterprise. This is all done to avoid regulation and taxation from city councils. Young Zambian entrepreneurs cannot compete with foreign firms in terms of capital and the government of Zambia, completely oblivious to this fact, has failed to recognize its very negative effects on the growth of indigenous microenterprise in urban areas. Much needs to be done to protect the markets within which young microentrepreneurs in Zambia operate.

In addition, local authorities seem to be more biased towards improving the business and operating environment of private companies, especially for foreign investors to the detriment of the Zambian worker. One reason is *Corruption*. In Zambia public officials are often bribed to offer tenders to foreign contractors. Work tenders are often disproportionately distributed to favor foreign firms who offer very little local employment. Despite adopting numerous policies to help the youth in the urban informal economy access employment opportunities, the Zambian government has failed to provide a regulatory framework which would protect the interests of its citizens and create a suitable environment through which informal sector economic activities can succeed, be more productive and eradicate employment amongst its citizens. Particularly trade policies are very weak and the government fails to enforce Standard labour laws on foreign investors.

## **Chapter Conclusion**

This chapter has highlighted the main concepts and theories related to youth employment and the Informal sector. The nature of the employment problem in Zambia has also been illustrated in the structure of the labour market from the dimension of the youth. The data revealed that, unemployment and informality are high among the youth in urban. Young people are less likely to find themselves in formal wage employment in Zambia and those employed in the informal sector find themselves in marginal forms of employment, underemployment, and own-account self-employment. The chapter further looked at the informal economy's role in wage employment as well as entrepreneurship and self-employment. The chapter also identified the major challenges faced by youth in the urban informal sector in Zambia including the growing role of China in the country's economy.

## CHAPTER 4

### ZAMBIA'S POLICY APPROACH TOWARDS EMPLOYMENT CREATION

#### 4.0 Introduction

The main objective of analyzing the existing policy framework for employment in Zambia is to assess whether the strategies adopted have been efficient in enhancing employment growth for youth in the country. With that stated, a qualitative assessment of the major policies and strategies that aim to promote employment creation in general and those that aim to promote youth employment in particular was conducted. By reviewing these instruments, the study will be able to identify the gaps that would help policymakers formulate alternative policy interventions and strategies that will be more effective for the promotion of decent and sustainable jobs amongst the youth in Zambia's urban informal economy.

Zambia's approach towards employment generation, like most countries in the developing world is based on the recommendations of international aid organizations, bilateral partners, regional groups the country is affiliated as well as the international instruments it is signatory to. In recent years policies set to help developing economies create employment focus mainly on diversification away from their main exports, which in Zambia's case is the over dependency on copper and other mineral resources for economic growth. This has meant that more resources have been allocated to the development of other sectors such as agriculture and manufacturing. With regard to the informal economy globally, most policy is based on achieving four broad goals and objectives. (1) To create more jobs; (2) to effectively register and regulate informal enterprises; (3) to extend social protection to informally employed workers and (4) to increase the productivity of informal enterprises. (ILO, 2013)

The International Labour Organization (ILO), to support its other policies, recently adopted a comprehensive policy framework for the Informal Economy whose overall objective is to promote Decent Work and the Transition from the Informal to the Formal Economy. National policies by member states are formulated using these recommendations that cover the following major areas of concern;



- Growth and quality employment generation
- Regulatory environment, including enforcement of ILS and core rights
- Organization, representation and dialogue
- Equality: gender, ethnicity, race, caste, disability, age
- Entrepreneurship, skills, finance, management, access to markets
- Extension of social protection, social security, social transfers
- Local (rural and urban) development strategies

In addition, the African Union (AU) has also adopted several strategies and programmes for supporting the informal economy. Two of which include;

- a) The Assembly Declaration on July 2017 on *Transitioning from the Informal Economy to the Formal Economy* through combined implementation of the African Union (AU) and relevant policies and instruments.
- b) The Five Year Project on ‘Decent Work for the *Transformation of the Informal Economy in Africa*’ commenced in December 2017. The project strategy is based on three pillars. (1) The extension of social security and social protection to workers in the informal economy (2) Productivity improvement in micro, small and medium size enterprises and (3) Capacity building and training: Occupational Safety and Health, advocacy/communication, organization of workers in the informal economy, productivity improvement. (ILO, 2017)

Zambia is a member of the AU and ILO and as such adheres to most policy formulated by the international the bodies

#### **4.1 Policy Framework**

The National policy framework the government of the republic of Zambia recognizes and prioritizes employment creation as one of the key channels for poverty reduction in order to promote equitable, inclusive and sustainable development. (ILO, 2016). This section will highlight the major policies that have been adopted in the country to promote development that generates jobs for the people, more specifically the youth population.

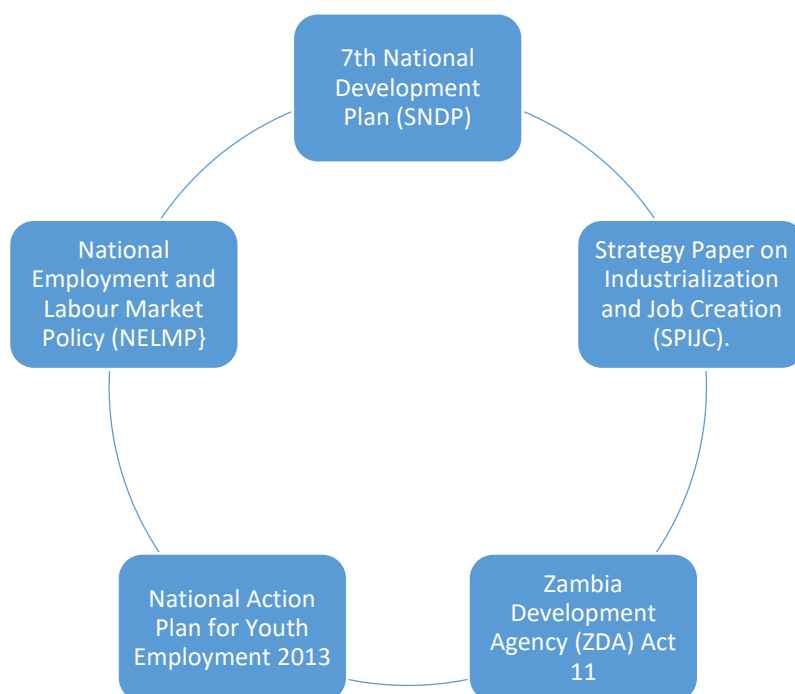
### 4.1.1 General Macroeconomic Policy

The government has implemented a number of Macroeconomic policies that have been specifically aimed at stimulating growth and employment creation in the country, bring about necessary changes in the policy and regulatory framework and create a favorable environment via changes in macroeconomic variables such as trade, taxes, prices, interest rates, wages and infrastructure development, among others (ILO, 2002). Through its fiscal policy, the government has taken on massive infrastructure development to stir up growth and job creation. It marked out several Multi-Facility Economic Zones in urban areas to encourage the development of the manufacturing industry and value addition. The government also embarked on a road development programme called the *Link Zambia 8000 Road Project* in 2012. This was initiated to accelerate road construction in the Country through the Road Development Agency (RDA). The project had among other objectives, a goal to create 24,000 jobs for urban unemployed youth in the country.

Secondly, the government has made Trade and foreign investment in the country relatively easy by lowering taxes and interest rates for investors and also providing incentives to those that invest in specific priority sectors such as Agriculture. The tax regime in Zambia is also highly favorable for foreign investors who wish to set up businesses in the country.

The major policy documents that have been adopted and implemented are the 7<sup>th</sup> National Development Plan (SNDP); the National Employment and Labour Market Policy (NELMP); the Strategy Paper on Industrialization and Job Creation (SPIJC) and the Zambia Development Agency (ZDA) Act 11 of 2006. The National youth policy (NYP) of 2015 and the National Action Plan for Youth Employment 2013 were policies that were targeted specifically towards improving the welfare of youth in every aspect of life including, social transitions, wellbeing and most importantly, employment.

**Figure 17: Relevant Policy Framework for Youth Employment**



Source: Authors own illustration

#### **4.1.2 7<sup>th</sup> National Development Plan of 2017**

The National Development Plan is a five-year policy document formulated to spearhead social and economic development in the country. It sets out targets and objectives over a period of 5 years and strategies it will adopt to accomplish them. Currently, government is in the process of implementing its revised 7th National Development plan whose main objectives are to accelerate infrastructure development, economic growth and diversification, rural investment and poverty reduction, and to enhance human development (Ministry of Finance and National Planning, 2017). The plan calls for the diversification of the economy away from mining towards agriculture, tourism, manufacturing as well as energy and infrastructure development. A key objective is to increase formal sector employment and improve the quality of the workforce through the implementation of key policies, such as the National Employment and Labour Market Policy NELMP and the Decent Work Country Programme. Particularly for youth employment, the policy focuses on education and skills training.

### **4.1.3 National Employment and Labour Market Policy (NELMP)**

In 2005 the government of Zambia launched the NELMP, in which it identified *Labour* as a key factor in economic growth. The policy aimed at creating “adequate and quality jobs under conditions that ensure adequate income, protection of workers’ and basic human rights”. The major areas of focus were Formalization, Education and Diversification. The specific targets identified were to bring the unemployment rate below 10 per cent by 2011 and ensure that by that date 90 per cent of the workforce was operating in an environment where their rights are respected (GRZ, 2005). The policy further identified sectors with the potential to create employment, namely agriculture, mining, manufacturing, tourism, trade, transport, and information and communications technology (ICT). It also highlighted the promotion of small and medium-sized enterprises (SMEs) and fostered efforts to make the financial sector more inclusive, and provide relevant skills by the education and training system. The NELMP also addressed several cross-cutting issues, such as the HIV/AIDS pandemic, environmental degradation, gender and governance. (GRZ, 2005).

### **4.1.4 The Strategy Paper for Industrialization and Job Creation (SPIJC)**

In 2012, the SPIJC was formulated with the aim of creating 1,000,000 new formal sector jobs over a period of five years (2013-2018). Four growth sectors were identified as having the greatest potential to achieve the objectives of promoting growth, employment, value addition and expanding Zambia’s economic base. These are the Agriculture, Tourism, Construction and Manufacturing sectors. These sectors were seen to have the highest requirement for labour and the potential to be highly competitive. Industrialization and Job Creation Strategy Paper spelt out strategies for creating one million jobs in the priority sectors as follows: Agriculture (550,000 jobs), Tourism (300,000 jobs), Construction (85,000 jobs), and Manufacturing (89,000 jobs) (GRZ,2015).

#### **4.1.5 Zambia Development Act**

One of the major macro level policy interventions that the government adopted was the Zambia Development Act of 2006. Its mandate was to increase job opportunities for all by promoting and facilitating investment, trade and competitive entrepreneurship of businesses in Zambia by introducing tax incentives and lowering interest rates. It set out to ensure that through these investments; at least enough jobs would be created by the year 2020.

#### **4.1.6 National Youth Policy and National Action Plan for Youth Employment**

The main policy supporting youth employment in Zambia is the revised National Youth Policy (NYP) of 2015. The NYP was first adopted in 1994 and further revised in 2006 and in 2015, (Chigunta 2013.) The adoption of the first national youth policy was as a result of government's recognition that many young people were alienated and excluded from the labour market and were forced to engage in unproductive activities in the informal economy (Bilima 2015). The main objective was to engage these youths by creating jobs for them in the formal labour market. The policy was later amended in 2006 and became the central document on youth development. The major objectives in terms of job creation were to involve youth in agriculture and other sustainable employment ventures, providing business startup capital and encourage the formation of youth cooperatives. Others were to prioritize youth participation in economic activities. Through consultation with stakeholders, the private sector and civil society, the policy was informed by government strategic focus areas as contained in the National Development Plan, Industrialization and Job Creation Strategy and other Sectorial Policies such as the Education Policy, National Agriculture Investment Plan, 2013 Revised Education Curriculum Framework and 2009 Technical Education Vocational and Entrepreneurship Training (TEVET) Policy, among others. (TEVET, 2015). The policy is built on the premise that Zambia, like most African Countries, has a significant proportion of its country's population comprising people under the age of 35 years. This youthful demographic variable presents an opportunity for national development by harnessing the potential that youth have. The policy was an effort of the government of Zambia to help provide access to opportunities that will enable them to grow, develop and prosper as fully engaged, responsible, patriotic and productive citizens (NYP, 2015). In this regard, the National youth policy focuses on two main areas on intervention; Youth Employment and Entrepreneurship Development, as well as Education and Skills Development. (NYP, 2015). The overall objective of the Employment and

Entrepreneurship Development Programme was to promote the economic participation of the Youth in national development through employment creation and entrepreneurship development. Its specific objectives were to reduce poverty and vulnerability among the Youth, enhance self-employment opportunities, and promote entrepreneurial education at all levels of education. Furthermore, the policy hoped to promote the expansion of sub-sectors that have relatively high employment multiplier. In order to enhance youth employability, the policy proposed a *Plan of Action on Youth Empowerment and Industrial Participation*, at all levels of education. In addition, the policy aimed to facilitate the transition of informal enterprises into the formal economy; promote the use of ICT for improved productivity, creativity and innovation in youth enterprises and also enhance financial literacy programs targeting the youth. Furthermore, the policy hoped and support business and technological hub/incubators; as well as advocate for Youth affirmative action on public procurement. (GRZ, 2015) Secondly, with regard to education and skills development among the youth, the revised 2015 National Youth Policy's overall objective is to increase access to quality and equitable education and skills development relevant to the aspirations of the youth and society. (NYP, 2015). Its specific objectives were to increase access to education through formal and alternative modes of delivery in partnership with key stakeholders; to promote equity in the provision of education skills training; to improve efficiency and effectiveness in the delivery of education services. In order to enhance access to education and skills training, the policy aimed to advocate for the increased access to school infrastructure, especially in rural areas, construct modern Youth Skills Training Centre sand advocate for the incorporation of Information and Communication Technology (ICT) in the education curriculum. In addition, through the policy, government hoped to enhance the provision of appropriate information to the youth on available bursary and education loan schemes in various line Ministries; advocate for increased access to TEVET Institutions. (NYP, 2015). In line with ensuring that there is quality and relevance with regard to the types of skills being given, the policy hoped to facilitate the renewal of skills training curriculum to respond to the current labour market needs, strengthen the capacity of existing youth training centres and instructional staff; equip vulnerable and marginalized youth with life and vocational skills and provide and sustain skills training programmes for those youth working on the streets. (NYP, 2015). In addition, the National Action Plan (NAP) for Youth Employment of 2013 was adopted with the aim to provide a framework for informed and effective support in the design, monitoring and evaluation of policies

and programmes that will promote productive and job-rich growth for Zambian youth” (Ministry of Youth and Sports, 2013). The NAP thus articulated a human capital building process targeting youth readiness to fully participate in and benefit from economic growth and employment expansion; and an institutional capacity enhancement process to improve the provision of critical intermediation and support services. The Action Plan set out the following three intervention areas, each accompanied by specific objectives and strategies: (Ministry of Youth and Sports, 2013).

- Promoting youth-centered employment and job creation
- Capacitating youth
- and Improving the provision of support services. (Ministry of Youth and Sports, 2013).

#### **4.2 Policy Approach toward Entrepreneurship and Self-Employment**

The international instrument to support job creation in the informal sector is the Job Creation in Small and Medium-Sized Enterprises Policy of 1998 (No. 189). It recommends conditions to stimulate Job Creation in Small and Medium-Sized Enterprises. (ILO 2006). In Zambia, the main policies adopted to support Entrepreneurship and self-employment include; the Technical Education, Vocational and Entrepreneurship Training Act, the Micro, Small and Medium Enterprises Act as well as the Citizen Economic Empowerment Act.

*The Technical Education, Vocational and Entrepreneurship Training (TEVET) policy* was developed in 1996 and provided the guidelines for improving the delivery of technical, vocational education and training in the country. The TEVET policy led to the design of the TEVET Act and eventual establishment of the Technical Education, Vocational and Entrepreneurship Training Authority (TEVETA). The TEVETA is the government institution responsible for regulating all forms of technical education and vocational training in Zambia. After several amendments, entrepreneurship development was included in all TEVET curricula and institutions. Some of the objectives of the TEVET policy were to improve the productivity of the labour force by promoting entrepreneurship and economic participation in both the formal and informal sectors. The policy aimed to provide qualitative training for imparting appropriate vocational skills relevant to the socio-economic development needs of Zambia.

*The Micro, Small and Medium Enterprises (MSME) Development Policy* was adopted in Zambia to guide the development of MSMEs in the country. It aimed to inculcate a culture of entrepreneurship and promote self-reliance through business creation. (TEVET,2006).

*Citizens Economic Empowerment Act* was enacted to promote the growth of microenterprises through the direct provision of financial assistance in the form of credit or grants to young entrepreneurs through the Citizens Economic Empowerment Commission (CEEC), (Bilima, 2015).

Lastly, *The Youth Fund*- a government initiative through the Ministry of Youth and Sport was created with the purpose of empowering the youth with finances and capacity building through the Revolving Fund and Grant Support. The fund is a catalyst to employment and wealth creation for the youth who wish to take up the risk of entrepreneurship to create employment for themselves and others. (NYP, 2015).

### **4.3 Policy Analysis and Evaluation**

In Zambia an adequate number of legal instruments exist to foster development however, these national plans usually suffer from poor, management and implementation. Most strategies employed at the macroeconomic level are not well suited to the Zambian context in that they fail to consider the current social and economic situation in the country. As mentioned earlier, other than the fact that most policies adopted in developing countries is highly imposed on and influenced by external forces, policy in Zambia also suffers from the following;

#### *(a) Poor Monitoring and Evaluation of Policies*

There is very poor monitoring and evaluation of public policy in Zambia. In most cases, the government without completely assessing the factors contributing to the failure of previous policies, goes ahead to adopt and implement new or revised ones without a clear view of what works and what doesn't work. This eventually leads duplication and a cycle of failed policies. A lot of effort is placed on adoption rather than Implementation.

Secondly, policies and strategies usually do not produce the desired results and outcomes because they are not informed by evidence. (ZIPAR 2015). This is to say these policies are usually adopted without real research into the problem. Comprehensive diagnostic reviews of previous policies



drawing on the successes and failures should be carried out. Knowing what may or may not have worked in past initiatives would help researchers formulate more informed policy documents as well as also avoid duplication.

In addition, a critical review of all national policy documents would also help to design policies that are in alignment with other developmental policies. This would ensure that there is agreement and cohesion in objectives. Failure to align all policies to macroeconomic variables that affect employment leads to total failure of policy programs.

*(b) Inadequate Funding Towards Initiatives*

Funding plays a central role in the success of policy programmes. The lack of adequate financial support, leads to inconsistency or discontinuity. Zambia's over reliance on government funding and donor aid for development programs has resulted into policy failure as most programmes are not self-sustainable. The dependency on government fiscal revenue entails that in times of economic decline or crisis, the programs seize. And when the economy is performing better, the programs fail to pick up their initial momentum.

*(c) Unrealistic Targets.*

ZIPAR 2017 cited the 2013 Industrialization and Job Creation Strategy (SPIJC) as an example. Its goal of creating 1,000,000 new formal sector jobs in five years by 2016, translating into 200,000 jobs per years was designed with a precondition that the annual GDP rate should be at an average 8 percent within the target period. This was overly ambitious in the sense that policy makers did not put into consideration the volatile nature of the economy and that external disruptions (macroeconomic instabilities) can adversely affect programme implementation. Their overly optimistic predictions was poor policy design on their part. By 2014, the results of the Labour Force Survey revealed that between 2012 and 2014 only 96,780 new formal sector jobs were created. This worked out to 48,390 jobs or a 6% increase per year during the period. At that rate of job growth, out of the targeted 1,000,000 new formal sector jobs, only 241,950 jobs were expected to be created by 2016. Only 24% of the target, leaving a large deficit of 758,050 jobs by the end of 2016 (ZIPAR, 2015). Furthermore, according to (Randolph 2015), employment strategies in Zambia give the impression that urban areas are better off while poverty remains in the rural areas.

He cited the 6th National Development Plan as focusing mainly on rural industrialization at the expense of a growing urban sector.

In addition, through the Action Plan on Youth Empowerment and Employment, the government set a target to create 500,000 new formal sector jobs within one year. (ZIPAR, 2017). It is clear from its core objective that, promotion of decent jobs and working environment for the informal sector has not been prioritized. Policy is not designed in coherence with Zambia 'reality of a large informal sector.

#### **4.3.1 Evaluation of Policies to Support the Informal Economy**

The country's approach to the informal sector with regard to employment creation focuses largely as mentioned in earlier chapters, on the promotion of entrepreneurship and skills development. Skills training interventions are the most common in Africa and though they generally improve the employability of an individual, they are hardly aligned with the needs of the labour market. And even though the two are extremely necessary, very little has been enforced in national policies about ensuring poor youth have access to them. In addition, curriculum reform in all institutions has not been prioritized. The current curriculum is biased towards formal wage employment. This is to say that young people see education as a means of securing a formal job in the future. If the type of education is changed, the young people would be able to adapt and engage in productive agricultural activities

Furthermore, despite these initiatives the lack an efficient regulatory framework for informal sector activities has proved to be disastrous for the country. The real challenges faced by youth in the urban informal economy have not been addressed yet huge sums of money, time and other resources are being spent on programs like the CEEC and Youth Fund that are not reaching their intended target. In 2013, the ILO, reported that the NYP had not articulated a coherent youth employment and job creation strategy. The policy was also deemed ambitious in scope and scale as it was constrained by a lack of funding and personnel within the ministry of youth. (Bilima, 2015). The Citizens Economic Empowerment Commission has also not been successful in its mandate to provide financial aid to disadvantaged young urban informal micro entrepreneurs. This programme is plagued by overarching challenges; firstly, there is a general lack of information about these grants and loans among youth. A survey carried out revealed that there was poor awareness about government interventions among young people in the communities. The survey

also revealed that of the young people interviewed on the Copperbelt and Central provinces, only 16% were aware that any such programme existed. (Chigunta, 2013). Furthermore, the majority of those that have heard about the programs whether in skills training or grants, face difficulties in accessing this help due to corruption, nepotism, political influences and other factors. In Zambia it is a known fact that political cadres in the markets and trading places are the main beneficiaries of most governments incentives. Many young people fall vulnerable to misuse by politicians with the hope of having access to public social benefits. Secondly, the loans provided are usually too small. Default rates are also very high, not only limiting the number of beneficiaries but also exposing loopholes in the criteria used in allocating these grants. Deserving, hardworking young entrepreneurs are often not the real beneficiaries of these loans and grants. Zambia's social economic landscape is diverse in nature and the poorest of the poor seem to be completely overlooked in the development process. There is also a lack of clear differentiation of target groups within the youth cohort by policy makers.

## **Chapter Conclusion**

This chapter has highlighted the major policies that affect employment creation in general and more specifically among the youth in Zambia. An overall analysis comes to the conclusion that Zambia suffers from, firstly, the general lack of coordination between policy makers in all sectors of the economy which has led to the ineffectiveness of most job creation policies. For example, employment policies have not been strongly tied with macroeconomic policies in thereby making it impossible to achieve sustained job creation in the country. Secondly, most policies adopted are in most cases not ideal for the Zambian context and are usually over ambitious and are in most cases imposed upon by international donor agencies such as the ILO and the World Bank. Furthermore, there are high levels of generalizations when it comes to policy formulation without tackling the youth employment problem at its core. Lack of proper instruments for evaluating policy outcomes has further resulted in duplication of programmes. This in turn has meant that the same things keep being done yet, they are not achieving their intended objectives and resulting in similar undesirable outcomes. Finally, in addition, Zambia has failed to enact an active policy framework regulating foreign business activities in Zambia's urban informal sector. This in turn has made the majority of the labour force in the country extremely vulnerable to exploitation. The next chapter will provide a conclusion of the main arguments of this paper and give

recommendation for policies that will be more effective in ensuring sustained job creation amongst youth in Zambia. Furthermore, an analysis of the policies promoting job growth among the urban youth in Zambia, also brought out some major issues that this paper has highlighted. Firstly, coupled with failure to effectively achieve set objectives, there appears to be a consistently larger focus on supply side interventions to creating jobs in the country. While skills acquisition is important for urban youth, policies to create a demand for them are not clearly set. (Bilima 2015).

## **CHAPTER 5**

### **CONCLUSION**

#### **5.0 Summary**

The main objectives of this paper were to highlight the youth employment problem and the role of the urban informal sector in employment creation in Zambia. With the demographic transition resulting in the rapid growth of a youthful population in the most urbanized areas of the country, this paper found that the biggest employment facing Zambia is unemployment and Informality. It also articulated how these problems that were particularly growing higher amongst urban youth, have led to many negative outcomes.

An analysis of existing secondary sources of data revealed that as unemployment continues to grow, the urban informal economy plays a pivotal role in creating livelihoods for unemployed and socially excluded youth in Zambia through entrepreneurship and self-employment. However, youth in the informal economy face many challenges in the form of lack of capital and adequate skills. Others are the lack of protection, social capital which all result in low productivity.

An evaluation of the framework found that interventions and policies towards employment generation in general and among the youth in the informal sector in particular, have been ambiguous, uncoordinated and in most cases not suited to Zambia's context and as such have failed to achieve their set objectives. Furthermore, interventions to support informal activities are not accompanied by a conducive regulatory environment within which these enterprises can thrive, be more productive and profitable for job creation.

#### **5.1. Recommendations**

Mitigating the employment problems among young people in the country will require a combination of both macro policies to enhance job rich economic development and micro policies that will promote decent employment in the informal economy. This paper proposes that at national level, the government needs to foster;

(a) Economic and structural Transformation to tackle Jobless Growth

Many studies allude to the fact that despite Zambia experiencing growth in its GDP, those fortunes did not translate into an increase in jobs in its formal sector. This paradox can be explained by

what economists term as the *Dutch Disease*. This is an economic expression that refers to a situation where an increase in revenues from the export of a natural or mineral resource, causes decline in other tradable sectors such as agriculture and manufacturing; sectors that have potential to generate a substantial number of jobs in the country. This occurs when, for example, the price of Zambia's copper is high on the international market, the national currency gains some strength against the dollar. This in turn results in the country's exports from the agriculture and manufacturing sectors becoming too expensive for other countries to buy. This makes them less competitive while imports became cheaper to buy. These sectors that have the potential to create jobs fail to develop. Tackling this problem requires applying structural changes that would increase the competitiveness of the country's other exports. A boom in all sectors of the economy would result in sustained development. In addition, with volatile copper prices, Zambia needs to make use of all its natural resources for long term economic growth. Its abundant land and water resources, the country can venture in mass producing other products.

#### (b) Increasing Agricultural Productivity, Manufacturing and Value Addition

The agriculture sector still presents best opportunities for job creation in Zambia. The sector can help revamp manufacturing and value addition. However, the country needs to diversify to include other cash crops for export purposes. Shifting the focus to more labour-intensive commercial crops and manufacturing can help enhance the growth and productivity of the agriculture and create more jobs. As a consequence, as well, the mass migration of the rural poor into urban areas will also be reduced. For example, the newly industrialized countries in East Asia like Thailand and Taiwan that have achieved economic growth and job creation through agricultural productivity and the growth of downstream industries as a consequence. It's imperative to create the necessary linkages between Agriculture and industries in Zambia if more jobs among young people are to be created. (World Bank, 2012). There is also need urgently address the factors that constrain economic diversification such as the lack of infrastructure, advanced technology, energy and human capital. By investing in infrastructure to help in the processing of raw products into goods that can compete on the international markets, the country can boost its agro-processing and manufacturing industries, structural transformation will also require investment in new and improved production technology and innovations and increasing regional trade.

### (c) Education and Training

Education and skills training continue to be extremely important for positive employment outcomes, however, the type of skills and knowledge given to young people will determine how they will be able cope with the dynamics of the labour market. Policy makers need to put into consideration the supply and demand of skills in the labour market before designing the curriculum to avoid a *Deficiency/ Mismatch* or an *Excess Supply* of those skills in the labour market. Market saturation fuels unemployment. In addition, rural youth must be prepared to take up agriculture as a profitable career path instead of trekking to urban areas. Rural centric Agric-education should be introduced to rural students especially. In order to ensure that this strategy is effective the government has to encourage Investment in basic infrastructure, transport and health facilities in rural areas to avoid rapid urbanization.

### (d) Fiscal Discipline and Accountability

Furthermore, Zambian law makers and political leaders need to exhibit higher levels of integrity, accountability and fiscal discipline if economic growth that translates in job creation is to be achieved. For example, the constant high increases in salaries for civil servant in recent years exposes a lack of proper discipline on the part policy makers.<sup>11</sup> Wages for civil servants in Zambia are one of the highest in the region regardless of the fact that the public sector in the country is mostly made up of the service sector. As earlier stated, the mining and productive sectors employ very few workers due to the fact that they are largely capital intensive. While Zambia needs the services of teachers, medical personnel and others, the reality is that the country's economy is in desperate need of more productive jobs and industries that can contribute to the national income. The fact that the government spends too revenue on incomes in the "unproductive sectors" essentially entails that it will continue to incur more debt from borrowing. the government can do well to allocated more resources to improving the productive sectors such as agriculture and manufacturing which have more potential to generate new jobs.

### **Supporting the Informal Economy for Job Creation**

It is important to note that what is ideal for sustained development is that all people have access to decent work in the formal sector. However, considering the reality of many developing nations

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<sup>11</sup> An increase in wages should come about as a result of increase in productivity and National income (GDP)

where the informal economy is largely dominant, short term policies should particularly focus on upgrading the informal economy not only for poverty reduction but for long term economic development of the country as well.

- (a) This paper proposes that firstly policy makers change their approach and attitudes towards the informal sector. This indifferent approach has led to a total neglect of some very viable dimensions of the informal economy and this has only exacerbated the problem. In dual economies, informality breeds informality in the sense that national policies seem to favor the formal sector while nearly 90 percent of the workforce is in the informal economy. This also leads to high levels of inequality and huge gaps between the rich and the poor.
- (b) Secondly, the government should provide a more efficient regulatory framework for informal economy activities in order to protect small businesses, young entrepreneurs and the informal worker. This entails ensuring that all young people have equal access to capital and markets for their goods and services, taxing foreign businesses operating in the informal sector illegally; Empowering youth with land where they can carry out their business activities; and Effectively enforcing labour laws and standards. There is no justification for ignoring the constant abuse and exploitation of Zambian workers in the informal sector.
- (c) In addition, there needs to be more investment in technological advancement in Zambia. Information technology can broaden young people's horizons and expand the market for their products and services. Technology can also help to overcome information asymmetries and make more youth aware of the workings and requirements of the labour market. With regard to access to information about the needs of domestic and local markets, prices and help to establish networks with customers, the government must ensure that young people have easy access to, and are up-to-date with the latest technological tools. Technology is essential to enhancing the efficiency of entrepreneurs in their various businesses. Technology can help to enhance the productivity of their businesses. (African Economic Outlook, 2012). Countries like Japan and the newly Industrialized countries (NICs) were able to achieve industrialization through targeted training and imparting new and advanced technologies on its people.
- (d) Furthermore, Zambia should create or emulate more simplified and realistic social protection schemes to find ways of integrating informal sector operators into the formal economy. One of the key arguments of Fernando De-soto's legalist theory is that overregulation and costs discourage informal firms from formalizing. Currently, the total legal costs of registering a



business in Zambia amount to a minimum of 500 USD (Zambia Business Survey, 2010). Young people on the streets, working as own account holders do not generate enough incomes to register their businesses formally. A different approach towards these young people, who make up the majority of those in informal work need to be employed. One of the strategies that have been adopted in Zambia, is the formation of cooperatives and associations in the informal sector. However, the majority of youth in the urban centers have been largely marginalized. These organizations have failed to incorporate the large number of youth seeking support. Furthermore, they are very often marred by issues of corruption and nepotism forcing the majority of young micro entrepreneurs to prefer to work independently. Others do not have information or access to these organizations. With that stated Zambia could learn from other countries in fostering more effective methods to incorporating individuals in formal arrangements to promote decent jobs.

#### *Creating a Path towards Formalization. The Case of Brazil*

*Brazil for instance, developed a set of measures that encourage small businesses through regulation and financing of micro small and medium sized businesses. These policies are aimed at reducing the cost of formalization. The National Simple Program (Simples Nacional Program) was created by the federal government in 2006 to reduce taxes and simplify bureaucratic procedures for micro, small and medium sized businesses. Through this program taxes for smse was reduced by 40% (Cardoso, 2016). In 2008 a category within the strategy was introduced called the Individual Microentrepreneur (Microemprededor Individual MEI) was created and defined as a person as a person who is self-employed and becomes legalized as a small businessman. The MEI is exempt from federal taxes and offer incentives by the public pensions and health systems. Maintaining this status requires paying a monthly fee of between R\$40- R\$45 Brazilian real and approximately \$11- \$15 United States dollars. (K120 Zambian Kwacha). This money is allocated to social security. This individual is in turn granted access to benefits such as paid sickness or maternity leave and retirement. Access to the financial institutions and. In 2014 9.2 million people, 6.2 were in the MEI. (Cardoso, 2016).*

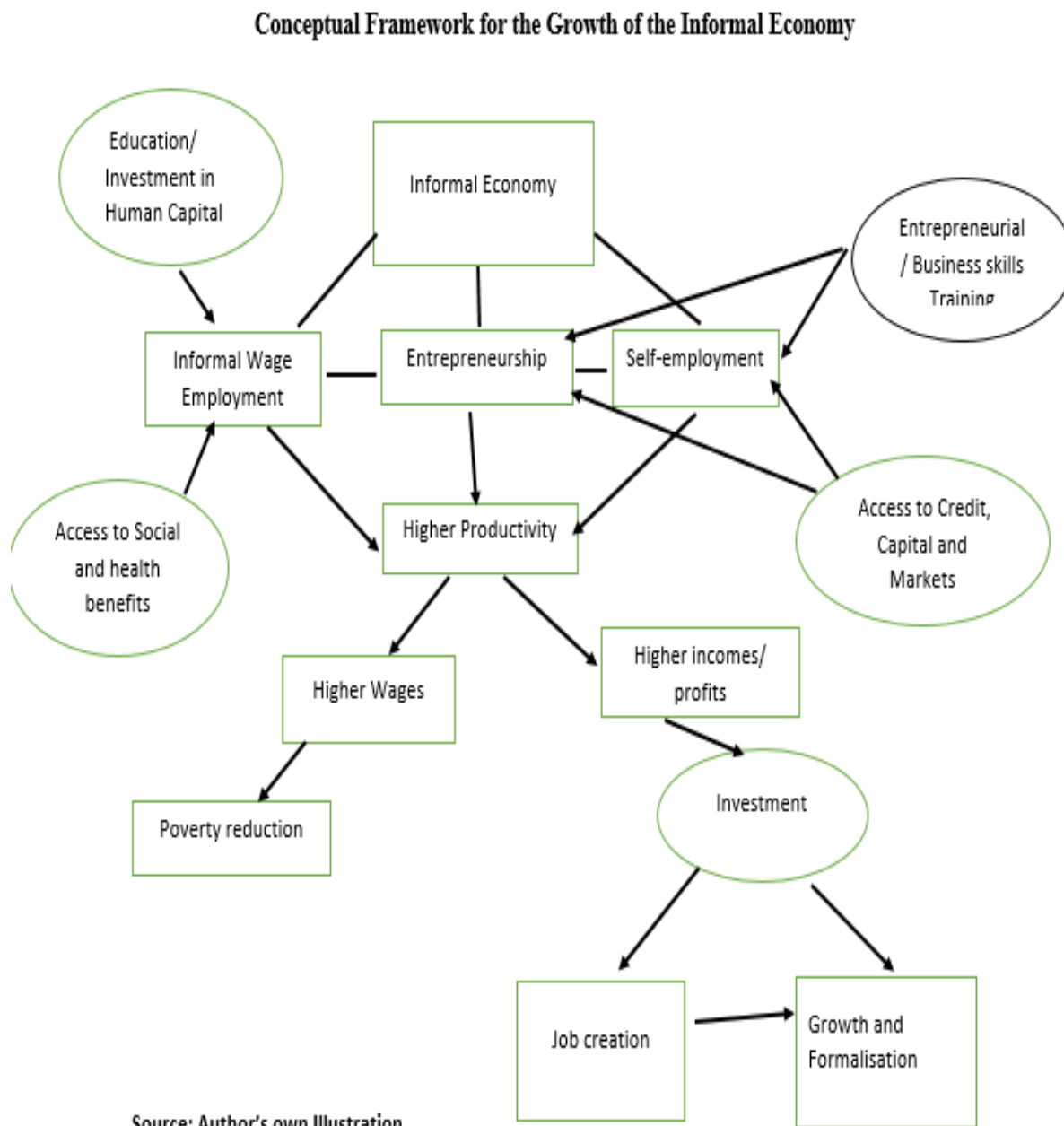
This strategy has led to the reduction in the costs of formalization and also has been able to incorporate individual own account workers. The monthly contribution ensures that more people are covered, the entrepreneur has more liberty and protection and vulnerabilities in the informal

sector are reduced. In addition, through these programmes, 2 million people were removed from informality in a period of five years. Because the benefits and incentives outweigh the contribution, this initiative encouraged more people to take up self-employment. (Cardoso, 2016).

Zambia could benefit for emulating these programmes employed in Brazil because they are more sustainable. From the number of people that have been able to legalize their businesses, the programme is an effective pathway to formalizing the informal economy.

- (e) Young entrepreneurs require proper access to capital, capacity building, and linkages to value chains, the financial sector, and other service subsectors. Better linkages to the rest of the economy can promote job creation and increased productivity through the higher growth of firms. Furthermore, creating Marketing and distribution channels with value chains can increase demand for informal sector goods and services. This increased demand will lead to increased demand for labour itself. Higher profits will encourage these small businesses to expand and hire more people to accommodate expected demand.
- (f) Lastly, most businesses stem from the informal economy. It is important that Zambia draws on some experiences of China and East Asian countries that show that not only does development come from macroeconomic stability, but that it also comes from a business environment that encourages entrepreneurial initiatives (World Bank 2012).

**Figure 18 : Conceptual Framework For The Growth Of The Informal Economy<sup>12</sup>**



<sup>12</sup> The figure is this authors own illustration of how the informal sector can be supported for job creation and eventually growth and formalization of informal businesses.

### **Protecting the Local Economy**

Foreign direct investment can be a major source of new jobs as well as improve productivity and economic competitiveness. However, it is imperative that Zambia prioritizes the needs of the country's labour force. A total indifference to the unethical practices by foreign businesses such as those of the Chinese and their East African counterparts in Zambia's economy will mean that young people will continue to be exploited and the indigenous economy will continue to fail. Government must ensure that an effective regulative framework is put in place to ensure investors adhere to labour standards and contract conditions with regards to labour and increase its institutional and regulatory support to the informal sector as well as improve the business environment and provide basic protections for informal operators.

### **Overcoming Policy Issues.**

There needs to be more clearly articulated ways in which policies can be self-sustained before they are adopted. This requires putting into consideration the financial ability of the state to support implementation of policies. Policies should be adjusted if need be, and should not be over dependent on donor funding. Secondly, more effort and emphasis should be put on policy implementation rather than adoption. Strengthening institutions is therefore a necessary precondition to enable faster and incisive policy implementation. (Szirmai, 2016). In addition, the government should initiate programmes that are less ambiguous in coverage.

## **5.2. General Conclusion**

In conclusion, youth employment problems pose one of the biggest challenges world over. The inability of most developing countries like Zambia to generate enough formal jobs to accommodate the large numbers of youth entering the labour market has exacerbated the levels of informality. This paper has argued that promoting the informal economy can remedy the problem if not in the long term, it can increase wealth and reduce inequalities and vulnerabilities of young people in the short term. Because the objective is to eventually achieve high levels of formal sector jobs, informal enterprises by youth should be nurtured to grow, create wealth and employment and eventually formalize. Effective means of integrating informal sector workers and self-employed individuals into some form of protection and registration will empower them and help create more viable businesses that will eventually formalize can contribute to the national development.

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